18 June 2019

Audited results for the year and unaudited results for the fourth quarter ended 30 April 2019

	Fourth quarter			Year		
	2019	2018	Growth[1]	2019	2018	Growth[1]
	£m	£m	%	£m	£m	%
Underlying results[2, 3]						
Rental revenue	1,014.4	798.7	19%	4,138.0	3,418.2	18%
EBITDA	490.4	390.6	17%	2,106.6	1,733.1	19%
Profit before taxation	222.5	185.3	11%	1,110.2	927.3	17%
Earnings per share	35.0p	25.1p	29%	174.2p	127.5p	33%
Statutory results						
Revenue	1,105.8	890.8	17%	4,499.6	3,706.0	19%
Profit before taxation	208.6	174.7	10%	1,059.5	862.1	20%
Profit after taxation[4]	154.5	99.9	34%	796.9	968.8	-20%
Earnings per share[4]	32.8p	20.6p	40%	166.1p	195.3p	-17%

Full year highlights

- Revenue up 19%[1]; rental revenue up 18%[1]
- Pre-tax profit[2] of £1,110m (2018: £927m)
- Earnings per share[2] up 33%[1] to 174.2p (2018: 127.5p)
- Post-tax profit[4] of £797m (2018: £969m)
- £1.6bn of capital invested in the business (2018: £1.2bn)
- £622m spent on bolt-on acquisitions (2018: £392m)
- Net debt to EBITDA leverage[1] of 1.8 times (2018: 1.6 times)
- Proposed final dividend of 33.5p, making 40.0p for the full year, up 21% (2018: 33.0p)

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 39.
4 Prior year profit after tax and earnings per share figures include a one-off benefit from the US Tax Cuts and Jobs Act of 2017.

Ashtead's chief executive, Brendan Horgan, commented:

"The Group delivered a strong quarter with good performance across the business. As a result, Group rental revenue increased 18% for the year and underlying pre-tax profit increased 17% to £1,110m, both at constant exchange rates.

We continue to experience strong end markets in North America and are executing well on our strategy of organic growth supplemented by targeted bolt-on acquisitions. We invested £1.6bn in capital and a further £622m on bolt-on acquisitions in the period, which has added 146 locations across the Group. This investment reflects the structural growth opportunity that we continue to see in the business as we broaden our product offering, geographic reach and end markets, thus increasing market share and diversifying our business.

We remain focused on responsible growth. Our increasing scale and strong margins are delivering good earnings growth and significant free cash flow generation. This provides 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 £675m under our share buyback programme announced in December 2017, which has now concluded, and expect to spend a minimum of £500m on share buybacks in 2019/20.

Our business continues to perform well in supportive end markets. Looking forward, we anticipate a similar level of capital expenditure in 2019/20, consistent with our strategic plan. So, with our business performing well and a strong balance sheet to support our plans, the Board continues to look to the medium term with confidence."

Contacts:

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James McFarlane	Maitland/AMO	

Brendan Horgan and Michael Pratt will hold a meeting for equity analysts to discuss the results and outlook at 9am on Tuesday, 18 June 2019. The meeting will be webcast live via the Company's website at www.ashtead-group.com and a replay will be available via the website shortly after the meeting concludes. A copy of this announcement and the slide presentation used for the meeting are available for download on the Company's website. The usual conference call for bondholders will begin at 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 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.

Trading results

	Revenue		EBITDA		Operating profit	
	2019	2018	2019	2018	2019	2018
Sunbelt US in $m	4,988.9	4,153.1	2,453.5	2,062.9	1,545.0	1,293.4
Sunbelt Canada in C$m	344.0	223.4	124.1	68.1	54.8	28.4
Sunbelt US in £m	3,824.3	3,103.7	1,880.9	1,541.7	1,184.3	966.6
A-Plant	475.1	471.7	168.4	167.3	62.3	70.2
Sunbelt Canada in £m	200.2	130.6	72.2	39.9	31.9	16.6
Group central costs	-	-	(14.9)	(15.8)	(14.9)	(15.9)
	4,499.6	3,706.0	2,106.6	1,733.1	1,263.6	1,037.5
Net financing costs					(153.4)	(110.2)
Profit before amortisation, exceptional items and tax					**1,110.2**	**927.3**
Amortisation					(50.7)	(43.5)
Exceptional items					-	(21.7)
Profit before taxation					1,059.5	862.1
Taxation (charge)/credit					(262.6)	106.7
Profit attributable to equity holders of the Company					796.9	968.8
Margins						
Sunbelt US			*49.2%*	*49.7%*	*31.0%*	*31.1%*
A-Plant			*35.5%*	*35.5%*	*13.1%*	*14.9%*
Sunbelt Canada			*36.1%*	*30.5%*	*15.9%*	*12.7%*
Group			*46.8%*	*46.8%*	*28.1%*	*28.0%*

Group revenue for the year increased 21% to £4,500m (2018: £3,706m) with strong growth in the US and Canadian markets. This revenue growth, combined with our focus on drop-through, generated underlying profit before tax of £1,110m (2018: £927m).

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%, 4% and 66% rental only revenue growth respectively. The significant growth in Sunbelt Canada reflects the impact of acquisitions, most notably the acquisition of CRS in August 2017.

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

		$m
2018 rental only revenue		3,091
Organic (same-store and greenfields)	15%	472
Bolt-ons since 1 May 2017	5%	148
2019 rental only revenue	20%	3,711
Ancillary revenue	17%	926
2019 rental revenue	19%	4,637
Sales revenue	32%	352
2019 total revenue	20%	4,989

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 123 new stores in the US in the year, the majority of which were specialty locations.

Rental only revenue growth was 20% in strong end markets. This growth was driven by increased fleet on rent year-over-year with yield flat. While revenue was impacted by our involvement in the clean-up efforts following hurricanes Florence and Michael, it was much less than last year with estimated incremental rental revenue of $30-35m (2018: c. $100m). Average physical utilisation for the year was 71% (2018: 72%). Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 20% to $4,989m (2018: $4,153m).

A-Plant generated rental only revenue of £357m, up 4% on the prior year (2018: £344m). This was driven by increased fleet on rent with a 1% improvement in yield, mainly due to product mix. The rate environment in the UK market remains competitive. A-Plant's total revenue increased 1% to £475m (2018: £472m).

In Canada, the acquisitions of CRS and Voisin's are distortive to year-over-year comparisons as they have tripled the size of the Sunbelt Canada business. On a pro forma basis, Canadian rental only revenue increased 18%. Sunbelt Canada's total revenue was C$344m (2018: C$223m).

We continue to focus on operational efficiency as we look to maintain or improve margins. In Sunbelt US, 49% 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 185 greenfield openings and acquired stores in the last two years. This resulted in an EBITDA margin of 49% (2018: 50%) and contributed to a 19% increase in operating profit to $1,545m (2018: $1,293m) at a margin of 31% (2018: 31%).

The UK market remains competitive and after a period of sustained growth for the business, the focus is now on operational efficiency and improving returns. Drop-through of 52% contributed to an EBITDA margin of 35% (2018: 35%) while operating profit of £62m (2018: £70m) at a margin of 13% (2018: 15%) reflected the higher depreciation charge of a larger average fleet.

Sunbelt Canada is in a growth phase as it invests to expand its network and develop the business. Significant growth has been achieved while delivering a 36% EBITDA margin and generating an operating profit of C$55m (2018: C$28m) at a margin of 16% (2018: 13%). We continue to expect the Canadian business to generate EBITDA and operating profit margins of around 40% and 20% respectively in the near term.

Reflecting the strong performance of the divisions, Group underlying operating profit increased to £1,264m (2018: £1,037m), up 19% at constant exchange rates. Net financing costs increased to £153m (2018: £110m) reflecting a higher average interest rate and higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £1,110m (2018: £927m). After a tax charge of 25% (2018: 32%) of the underlying pre-tax profit, underlying earnings per share increased 33% at constant currency to 174.2p (2018: 127.5p). The reduction in the Group's underlying tax charge from 32% to 25% reflects the reduction in the US federal rate of tax from 35% to 21% with effect from 1 January 2018, following the enactment of the Tax Cuts and Jobs Act of 2017. The underlying cash tax charge was 5%. We anticipate the cash tax charge to increase to c.10% in 2019/20.

Statutory profit before tax was £1,059m (2018: £862m). This is after amortisation of £51m (2018: £43m) and, in the prior year, an exceptional charge of £22m. The exceptional tax credit of £12m (2018: £401m) relates to a tax credit of £12m (2018: £13m) in relation to the amortisation of intangibles. In addition, the prior year includes a £7m tax credit in relation to exceptional net financing costs and a £381m credit as a result of the change in the US federal tax rate. As a result, basic earnings per share were 166.1p (2018: 195.3p).

Capital expenditure and acquisitions

Capital expenditure for the year was £1,587m gross and £1,385m net of disposal proceeds (2018: £1,239m gross and £1,081m net). This level of capital expenditure reflects the strong market and our ability to take market share. Reflecting this investment, the Group's rental fleet at 30 April 2019 at cost was £8.3bn. Our average fleet age is now 34 months (2018: 32 months).

We invested £622m (2018: £392m), including acquired debt, in 24 bolt-on acquisitions during the year as we continue to both expand our footprint and diversify our specialty markets.

We expect a similar level of capital expenditure in 2019/20, consistent with our strategic plan. This should result in low teens revenue growth in 2019/20.

Return on Investment

Sunbelt US's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 30 April 2019 was 24% (2018: 24%). In the UK, return on investment (excluding goodwill and intangible assets) was 9% (2018: 11%). This decline reflects the competitive nature of the UK market and the rate environment. In Canada, return on investment (excluding goodwill and intangible assets) was 12% (2018: 11%). We have made a significant investment in Canada and, as we develop the potential of the market, we expect returns to increase. For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2018: 18%).

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. In addition, weaker sterling increased reported debt by £126m. During the year, we spent £460m on share buybacks.

In July, the Group issued $600m 5.25% senior secured notes maturing in August 2026. The proceeds of the issue were used to pay related fees and expenses and repay an element of the amount outstanding under the senior credit facility. In December, the Group also increased and extended its asset-based senior bank facility, with $4.1bn committed until December 2023 at a lower cost. Other principal terms and conditions remain unchanged. This ensures our debt package remains well structured and flexible, enabling us to take advantage of prevailing end market conditions. The Group's debt facilities are now committed for an average of six years at a weighted average interest cost of less than 5%.

Net debt at 30 April 2019 was £3,745m (2018: £2,712m) while, reflecting our strong earnings growth, the ratio of net debt to EBITDA was 1.8 times (2018: 1.6 times) on a constant currency basis. The Group's target range for net debt to EBITDA is 1.5 to 2 times.

IFRS 16, Leases, is applicable to the Group from 1 May 2019. On transition, this will increase our reported debt by in the region of £900m and on a pro forma basis, the ratio of net debt to EBITDA as at 30 April 2019 would have been 2.1 times compared with the 1.8 times above. Accordingly, as a result of the application of IFRS 16, we expect our reported leverage to be 0.3 – 0.4 times higher than previously reported and so we have adjusted our target leverage range to 1.9 - 2.4 times to reflect this change. In the near term, we will continue to report leverage pre and post the impact of IFRS 16. Further details on the impact of IFRS 16 are provided on page 14.

At 30 April 2019, availability under the senior secured debt facility was $1,622m, with an additional $2,385m of suppressed availability – substantially above the $410m 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 33.5p per share (2018: 27.5p) making 40.0p for the year (2018: 33.0p), an increase of 21%. If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 13 September 2019 to shareholders on the register on 16 August 2019.

Capital allocation

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

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

Additionally, we consider further returns to shareholders. In this regard, we assess continuously our medium term plans which take account of investment in the business, growth prospects, cash generation, net debt and leverage. Therefore the amount allocated to buybacks is simply driven by that which is available after organic growth, bolt-on M&A and dividends, whilst allowing us to operate within our 1.5 to 2.0 times target range for net debt to EBITDA (amended to 1.9 to 2.4 times post IFRS 16).

In line with these priorities, we have spent £675m under the share buyback programme announced in December 2017, which has now concluded, and expect to spend at least £500m in 2019/20.

Current trading and outlook

Our business continues to perform well in supportive end markets. Looking forward, we anticipate a similar level of capital expenditure in 2019/20, consistent with our strategic plan. So, with our business performing well and 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 2019. 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
17 June 2019"

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 30 APRIL 2019

	2019			2018		
	Before amortisation	Amortisation	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
	£m	£m	£m	£m	£m	£m
Fourth quarter - unaudited						
Revenue						
Rental revenue	1,014.4	-	1,014.4	798.7	-	798.7
Sale of new equipment, merchandise and consumables	43.9	-	43.9	33.4	-	33.4
Sale of used rental equipment	47.5	-	47.5	58.7	-	58.7
	1,105.8	-	1,105.8	890.8	-	890.8
Operating costs						
Staff costs	(264.8)	-	(264.8)	(214.0)	-	(214.0)
Used rental equipment sold	(37.9)	-	(37.9)	(46.6)	-	(46.6)
Other operating costs	(312.7)	-	(312.7)	(239.6)	-	(239.6)
	(615.4)	-	(615.4)	(500.2)	-	(500.2)
EBITDA*	490.4	-	490.4	390.6	-	390.6
Depreciation	(226.2)	-	(226.2)	(177.7)	-	(177.7)
Amortisation of intangibles	-	(13.9)	(13.9)	-	(10.6)	(10.6)
Operating profit	264.2	(13.9)	250.3	212.9	(10.6)	202.3
Interest expense	(41.7)	-	(41.7)	(27.6)	-	(27.6)
Profit on ordinary activities before taxation	222.5	(13.9)	208.6	185.3	(10.6)	174.7
Taxation	(57.5)	3.4	(54.1)	(61.9)	(12.9)	(74.8)
Profit attributable to equity holders of the Company	165.0	(10.5)	154.5	123.4	(23.5)	99.9
Basic earnings per share	35.0p	(2.2p)	32.8p	25.1p	(4.5p)	20.6p
Diluted earnings per share	34.8p	(2.2p)	32.6p	25.0p	(4.5p)	20.5p

***** 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.

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 2019

	2019			2018		
	Before amortisation	Amortisation	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
	£m	£m	£m	£m	£m	£m
Year to 30 April 2019 - audited						
Revenue						
Rental revenue	4,138.0	-	4,138.0	3,418.2	-	3,418.2
Sale of new equipment, merchandise and consumables	170.5	-	170.5	139.2	-	139.2
Sale of used rental equipment	191.1	-	191.1	148.6	-	148.6
	4,499.6	-	4,499.6	3,706.0	-	3,706.0
Operating costs						
Staff costs	(1,019.4)	-	(1,019.4)	(863.4)	-	(863.4)
Used rental equipment sold	(159.7)	-	(159.7)	(128.2)	-	(128.2)
Other operating costs	(1,213.9)	-	(1,213.9)	(981.3)	-	(981.3)
	(2,393.0)	-	(2,393.0)	(1,972.9)	-	(1,972.9)
EBITDA*	2,106.6	-	2,106.6	1,733.1	-	1,733.1
Depreciation	(843.0)	-	(843.0)	(695.6)	-	(695.6)
Amortisation of intangibles	-	(50.7)	(50.7)	-	(43.5)	(43.5)
Operating profit	1,263.6	(50.7)	1,212.9	1,037.5	(43.5)	994.0
Investment income	0.1	-	0.1	-	-	-
Interest expense	(153.5)	-	(153.5)	(110.2)	(21.7)	(131.9)
Profit on ordinary activities before taxation	1,110.2	(50.7)	1,059.5	927.3	(65.2)	862.1
Taxation	(274.9)	12.3	(262.6)	(294.8)	401.5	106.7
Profit attributable to equity holders of the Company	835.3	(38.4)	796.9	632.5	336.3	968.8
Basic earnings per share	174.2p	(8.1p)	166.1p	127.5p	67.8p	195.3p
Diluted earnings per share	173.4p	(8.0p)	165.4p	126.9p	67.5p	194.4p

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

All revenue and profit is generated from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2019	2018	2019	2018
	£m	£m	£m	£m
Profit attributable to equity holders of the Company for the period	154.5	99.9	796.9	968.8
Items that will not be reclassified to profit or loss:				
Remeasurement of the defined benefit pension plan	(3.7)	8.7	(3.7)	8.7
Tax on defined benefit pension plan	0.7	(1.5)	0.7	(1.5)
	(3.0)	7.2	(3.0)	7.2
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	20.6	61.4	108.9	(115.2)
Total comprehensive income for the period	172.1	168.5	902.8	860.8

CONSOLIDATED BALANCE SHEET AT 30 APRIL 2019

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2019

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2019

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

Reconciliation of net cash flows to net debt

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

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 2019 comprise the Company and its subsidiaries ('the Group').

The financial statements for the year ended 30 April 2019 were approved by the directors on 17 June 2019.

This preliminary announcement of the results for the year ended 30 April 2019 contains information derived from the forthcoming 2018/19 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 2019 were approved by the directors on 17 June 2019 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 2019. 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.

2. Basis of preparation

The financial statements for the year ended and quarter ended 30 April 2019 have been prepared in accordance with relevant International Financial Reporting Standards ('IFRS') as adopted by the European Union and the accounting policies set out in the Group's Annual Report and Accounts for the year ended 30 April 2018, except for the following new standards which are mandatory for the first time for the financial year beginning 1 May 2018:

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

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

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

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

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 39.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of preparation (continued)

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

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

	US dollar		Canadian dollar	
	2019	2018	2019	2018
Average for the three months ended 30 April	1.31	1.40	1.74	1.79
Average for the year ended 30 April	1.30	1.34	1.72	1.71
At 30 April	1.30	1.38	1.75	1.77

Future financial reporting changes

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

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

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

- recognition exemption options: short-term leases and leases of low-value assets will be excluded from the lease liability recognised, as permitted by IFRS 16;

- assessment of lease term: most of the Group's leases relate to properties. The typical structure of our property leases is an initial lease term (usually ten years) with a series of options to extend the lease at our discretion (usually two or three five-year options). The Group has concluded that recognition of the lease term, including the extension options, best reflects the Group's assessment of the options available, our past experience and growth strategy. The average remaining lease term at 1 May 2019 was 12 years, compared with the minimum remaining average lease term of four years; and

- discount rate: IFRS 16 requires future lease payments to be discounted using the interest rate implicit in the lease, or where this rate cannot be readily determined, to use an incremental borrowing rate ('IBR'). The Group has concluded that it is not possible to determine the rate implicit in its portfolio of property leases and therefore will adopt an IBR methodology. The weighted average discount rate at 1 May 2019 was 4%.

2. Basis of preparation (continued)

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

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

- EBITDA is expected to increase by c. £100m as the operating lease expense which was previously recognised is replaced with depreciation on the right-of-use asset and interest on the lease liability;

- operating profit will increase by c. £15m due to the benefit from the elimination of the historical operating lease charge, partially offset by depreciation on the right-of-use asset;

- profit before tax is estimated to decrease by c. £30m.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segmental analysis

Three months to 30 April 2019

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	875.1	98.2	41.1	-	1,014.4
Sale of new equipment, merchandise and consumables	31.9	8.1	3.9	-	43.9
Sale of used rental equipment	33.9	8.4	5.2	-	47.5
	940.9	114.7	50.2	-	1,105.8
Operating profit before amortisation	256.1	7.6	4.2	(3.7)	264.2
Amortisation					(13.9)
Net financing costs					(41.7)
Profit before taxation					208.6
Taxation					(54.1)
Profit attributable to equity shareholders					154.5

Three months to 30 April 2018

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	672.9	96.7	29.1	-	798.7
Sale of new equipment, merchandise and consumables	22.6	6.7	4.1	-	33.4
Sale of used rental equipment	42.5	14.3	1.9	-	58.7
	738.0	117.7	35.1	-	890.8
Operating profit before amortisation	207.2	13.4	(3.1)	(4.6)	212.9
Amortisation					(10.6)
Net financing costs					(27.6)
Profit before taxation					174.7
Taxation					(74.8)
Profit attributable to equity shareholders					99.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segmental analysis (continued)

Year to 30 April 2019

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	3,554.2	416.4	167.4	-	4,138.0
Sale of new equipment, merchandise and consumables	118.4	32.5	19.6	-	170.5
Sale of used rental equipment	151.7	26.2	13.2	-	191.1
	3,824.3	475.1	200.2	-	4,499.6
Operating profit before amortisation	1,184.3	62.3	31.9	(14.9)	1,263.6
Amortisation					(50.7)
Net financing costs					(153.4)
Profit before taxation					1,059.5
Taxation					(262.6)
Profit attributable to equity shareholders					796.9

Year to 30 April 2018

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	2,904.6	405.3	108.3	-	3,418.2
Sale of new equipment, merchandise and consumables	91.9	31.4	15.9	-	139.2
Sale of used rental equipment	107.2	35.0	6.4	-	148.6
	3,103.7	471.7	130.6	-	3,706.0
Operating profit before amortisation	966.6	70.2	16.6	(15.9)	1,037.5
Amortisation					(43.5)
Net financing costs					(110.2)
Exceptional items					(21.7)
Profit before taxation					862.1
Taxation					106.7
Profit attributable to equity shareholders					968.8

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
At 30 April 2019					
Segment assets	6,991.8	851.6	475.7	0.3	8,319.4
Cash					12.8
Taxation assets					25.3
Total assets					8,357.5
At 30 April 2018					
Segment assets	5,507.6	847.3	344.6	0.5	6,700.0
Cash					19.1
Taxation assets					23.9
Total assets					6,743.0

4. Operating costs and other income

	2019			2018		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 30 April						
Staff costs:						
Salaries	239.3	-	239.3	194.3	-	194.3
Social security costs	19.4	-	19.4	15.7	-	15.7
Other pension costs	6.1	-	6.1	4.0	-	4.0
	264.8	-	264.8	214.0	-	214.0
Used rental equipment sold	37.9	-	37.9	46.6	-	46.6
Other operating costs:						
Vehicle costs	64.1	-	64.1	49.8	-	49.8
Spares, consumables & external repairs	61.6	-	61.6	42.2	-	42.2
Facility costs	35.5	-	35.5	28.6	-	28.6
Other external charges	151.5	-	151.5	119.0	-	119.0
	312.7	-	312.7	239.6	-	239.6
Depreciation and amortisation:						
Depreciation	226.2	-	226.2	177.7	-	177.7
Amortisation of intangibles	-	13.9	13.9	-	10.6	10.6
	226.2	13.9	240.1	177.7	10.6	188.3
	841.6	13.9	855.5	677.9	10.6	688.5

	2019			2018		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Year to 30 April						
Staff costs:						
Salaries	930.3	-	930.3	788.2	-	788.2
Social security costs	70.6	-	70.6	60.3	-	60.3
Other pension costs	18.5	-	18.5	14.9	-	14.9
	1,019.4	-	1,019.4	863.4	-	863.4
Used rental equipment sold	159.7	-	159.7	128.2	-	128.2
Other operating costs:						
Vehicle costs	267.8	-	267.8	211.3	-	211.3
Spares, consumables & external repairs	227.4	-	227.4	181.5	-	181.5
Facility costs	128.4	-	128.4	108.4	-	108.4
Other external charges	590.3	-	590.3	480.1	-	480.1
	1,213.9	-	1,213.9	981.3	-	981.3
Depreciation and amortisation:						
Depreciation	843.0	-	843.0	695.6	-	695.6
Amortisation of intangibles	-	50.7	50.7	-	43.5	43.5
	843.0	50.7	893.7	695.6	43.5	739.1
	3,236.0	50.7	3,286.7	2,668.5	43.5	2,712.0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Amortisation and exceptional items

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

	Three months to 30 April		Year to 30 April	
	2019	2018	2019	2018
	£m	£m	£m	£m
Amortisation of intangibles	13.9	10.6	50.7	43.5
Write-off of deferred financing costs	-	-	-	8.1
Release of premium	-	-	-	(11.6)
Early redemption fee	-	-	-	23.7
Call period interest	-	-	-	1.5
Taxation:				
- tax on exceptional items and amortisation	(3.4)	(3.1)	(12.3)	(20.0)
- 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
	10.5	23.5	38.4	(336.3)

The costs associated with the redemption of the $900m 6.5% senior secured notes in the prior year were classified as exceptional items. The write-off of deferred financing costs consisted of the unamortised balance of the costs relating to the notes, whilst the release of premium related to the unamortised element of the premium which arose at the time of issuance of the $400m add-on to the initial $500m 6.5% senior secured notes. In addition, an early redemption fee of £24m ($31m) was paid to redeem the notes prior to their scheduled maturity. The call period interest 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.

In addition, 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) in the prior year arose from the resultant remeasurement of the Group's US deferred tax liabilities at the new rate of 21% rather than the historical rate of 35%. The exceptional deferred tax charge of £21m ($28m) related to the reassessment of historical amounts deductible for tax purposes in the US.

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

	Three months to 30 April		Year to 30 April	
	2019	2018	2019	2018
	£m	£m	£m	£m
Amortisation of intangibles	13.9	10.6	50.7	43.5
Charged in arriving at operating profit	13.9	10.6	50.7	43.5
Net financing costs	-	-	-	21.7
Charged in arriving at profit before taxation	13.9	10.6	50.7	65.2
Taxation	(3.4)	12.9	(12.3)	(401.5)
	10.5	23.5	38.4	(336.3)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Net financing costs

	Three months to 30 April		Year to 30 April	
	2019	2018	2019	2018
	£m	£m	£m	£m
Investment income:				
Net interest on the net defined benefit pension plan asset	-	-	(0.1)	-
Interest expense:				
Bank interest payable	19.0	12.4	68.6	45.6
Interest payable on second priority senior secured notes	21.2	14.1	79.1	60.5
Interest payable on finance leases	0.1	-	0.4	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	0.1	0.8	0.7
Amortisation of deferred debt raising costs	1.3	0.9	4.6	3.0
Total interest expense	41.7	27.6	153.5	110.2
Net financing costs before exceptional items	41.7	27.6	153.4	110.2
Exceptional items	-	-	-	21.7
Net financing costs	41.7	27.6	153.4	131.9

7. Taxation

The tax charge for the year has been computed using a tax rate of 25% in the US (2018: 34%), 19% in the UK (2018: 19%) and 27% in Canada (2018: 27%). The blended rate for the Group as a whole is 25% (2018: 32%).

The tax charge of £275m (2018: £295m) on the underlying profit before taxation of £1,110m (2018: £927m) can be explained as follows:

	Year to 30 April	
	2019	2018
	£m	£m
Current tax		
- current tax on income for the period	54.3	80.4
- adjustments to prior year	1.1	(10.4)
	55.4	70.0
Deferred tax		
- origination and reversal of temporary differences	218.1	213.0
- adjustments to prior year	1.4	11.8
	219.5	224.8
Tax on underlying activities	274.9	294.8
Comprising:		
- UK	17.8	17.9
- US	252.8	275.0
- Canada	4.3	1.9
	274.9	294.8

7. Taxation (continued)

In addition, the exceptional tax credit of £12m (2018: £401m) relates to a tax credit of £12m (2018: £20m) on amortisation and exceptional items of £51m (2018: £65m) and consists of a current tax credit of £nil (2018: £7m) relating to the US, and a deferred tax credit of £2m (2018: £2m) relating to the UK, £7m (2018: £9m) relating to the US and £3m (2018: £2m) relating to Canada. In addition, the 2018 tax credit of £401m included a US current tax charge of £25m and a US deferred tax credit of £406m as a result of the reduction in the US federal tax rate and associated remeasurement of deferred tax liabilities.

8. Earnings per share

Basic and diluted earnings per share for the three and twelve months ended 30 April 2019 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	
	2019	2018	2019	2018
Profit for the financial period (£m)	154.5	99.9	796.9	968.8
Weighted average number of shares (m) - basic	471.4	492.1	479.7	496.0
- diluted	473.4	494.3	481.7	498.3
Basic earnings per share	32.8p	20.6p	166.1p	195.3p
Diluted earnings per share	32.6p	20.5p	165.4p	194.4p

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	
	2019	2018	2019	2018
Basic earnings per share	32.8p	20.6p	166.1p	195.3p
Amortisation of intangibles	2.9p	2.1p	10.6p	8.7p
Exceptional items	-	-	-	4.4p
Tax on exceptional items and amortisation	(0.7p)	(0.6p)	(2.5p)	(4.0p)
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	35.0p	25.1p	174.2p	127.5p

9. Dividends

During the year, a final dividend in respect of the year ended 30 April 2018 of 27.5p (2017: 22.75p) per share and an interim dividend for the year ended 30 April 2019 of 6.5p (2018: 5.5p) per share were paid to shareholders costing £164m (2018: £140m).

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

10. Property, plant and equipment

	2019		2018	
Net book value	Rental equipment £m	Total £m	Rental equipment £m	Total £m
At 1 May	4,430.5	4,882.0	4,092.8	4,504.6
Exchange difference	210.9	231.1	(206.0)	(224.7)
Reclassifications	(1.9)	-	(1.5)	-
Additions	1,416.8	1,587.1	1,100.4	1,238.7
Acquisitions	259.4	296.9	182.4	191.2
Disposals	(156.9)	(167.1)	(123.5)	(132.2)
Depreciation	(745.5)	(843.0)	(614.1)	(695.6)
At 30 April	5,413.3	5,987.0	4,430.5	4,882.0

11. Borrowings

	30 April 2019 £m	30 April 2018 £m
Current		
Finance lease obligations	2.3	2.7
Non-current		
First priority senior secured bank debt	2,010.7	1,508.5
Finance lease obligations	2.7	2.6
5.625% second priority senior secured notes, due 2024	379.3	358.4
4.125% second priority senior secured notes, due 2025	454.7	429.5
5.250% second priority senior secured notes, due 2026	453.6	-
4.375% second priority senior secured notes, due 2027	454.4	429.4
	3,755.4	2,728.4

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

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

In December, the Group amended its asset-based senior credit facility so that under the terms of our asset-based senior credit facility, $4.1bn is committed until December 2023 at a lower cost. The other principal terms and conditions remain unchanged.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Borrowings (continued)

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

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 2019, the fixed charge ratio exceeded the covenant requirement.

At 30 April 2019, availability under the senior secured bank facility was $1,622m ($1,115m at 30 April 2018), with an additional $2,385m of suppressed availability, meaning that the covenant did not apply at 30 April 2019 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 30 April 2019, the Group had no derivative financial instruments.

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

	At 30 April			
	2019		2018	
	Book value £m	Fair value £m	Book value £m	Fair value £m
- 5.625% senior secured notes	383.5	397.5	363.0	374.7
- 4.125% senior secured notes	460.3	455.1	435.5	413.8
- 5.250% senior secured notes	460.3	476.9	-	-
- 4.375% senior secured notes	460.3	451.6	435.5	407.2
	1,764.4	1,781.1	1,234.0	1,195.7
Deferred costs of raising finance	(22.4)	-	(16.7)	-
	1,742.0	1,781.1	1,217.3	1,195.7

The fair value of the second priority senior secured notes has been calculated using quoted market prices at 30 April 2019.

12. Share capital

Ordinary shares of 10p each:

	2019 Number	2018 Number	2019 £m	2018 £m
Issued and fully paid	499,225,712	499,225,712	49.9	49.9

During the year, the Company purchased 22.4m ordinary shares at a total cost of £462m under the share buyback programme announced in December 2017, which are held in treasury. At 30 April 2019, 30.3m (2018: 7.9m) shares were held by the Company and a further 1.6m (2018: 1.7m) shares were held by the Company's Employee Share Ownership Trust.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Notes to the cash flow statement

a) Cash flow from operating activities

	Year to 30 April 2019 £m	2018 £m
Operating profit before exceptional items and amortisation	1,263.6	1,037.5
Depreciation	843.0	695.6
EBITDA before exceptional items	2,106.6	1,733.1
Profit on disposal of rental equipment	(31.4)	(20.4)
Profit on disposal of other property, plant and equipment	(0.8)	(0.7)
Increase in inventories	(14.9)	(7.7)
Increase in trade and other receivables	(84.7)	(83.1)
Increase in trade and other payables	60.7	53.0
Exchange differences	(0.6)	-
Other non-cash movements	7.6	7.0
Cash generated from operations before exceptional items and changes in rental equipment	2,042.5	1,681.2

b) Analysis of net debt

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

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

	1 May 2017 £m	Cash flow £m	Non-cash movements: Exchange movement £m	Debt acquired £m	Other movements £m	30 April 2018 £m
Short-term borrowings	2.6	(42.1)	-	40.7	1.5	2.7
Long-term borrowings	2,531.4	336.9	(140.1)	-	0.2	2,728.4
Total liabilities from financing activities	2,534.0	294.8	(140.1)	40.7	1.7	2,731.1
Cash and cash equivalents	(6.3)	(13.1)	0.3	-	-	(19.1)
Net debt	2,527.7	281.7	(139.8)	40.7	1.7	2,712.0

13. Notes to the cash flow statement (continued)

b) Analysis of net debt (continued)

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

c) Acquisitions

	Year to 30 April	
	2019	2018
	£m	£m
Cash consideration paid:		
- acquisitions in the period	589.4	351.2
- contingent consideration	1.9	7.8
	591.3	359.0

During the year, 24 businesses were acquired with cash paid of £589m (2018: £351m), after taking account of net cash acquired of £3m. Further details are provided in note 14.

Contingent consideration of £2m (2018: £8m) was paid relating to prior year acquisitions.

14. Acquisitions

During the year, the following acquisitions were completed:

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Acquisitions (continued)

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

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

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

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

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

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

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

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

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

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

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

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

14. Acquisitions (continued)

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

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

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

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

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

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

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

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

14. Acquisitions (continued)

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. £179m of the goodwill is expected to be deductible for income tax purposes.

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

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

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

15. Contingent liabilities

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

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

16. Events after the balance sheet date

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

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

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

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

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

REVIEW OF FOURTH QUARTER, BALANCE SHEET AND CASH FLOW

Fourth quarter (unaudited)

	Revenue		EBITDA		Operating profit	
	2019	2018	2019	2018	2019	2018
Sunbelt US in $m	1,229.8	1,034.3	577.0	494.5	334.9	292.3
Sunbelt Canada in C$m	87.4	62.4	28.6	8.4	7.4	(4.9)
Sunbelt US in £m	940.9	738.0	441.6	351.9	256.1	207.2
A-Plant	114.7	117.7	36.3	38.8	7.6	13.4
Sunbelt Canada in £m	50.2	35.1	16.4	4.5	4.2	(3.1)
Group central costs	-	-	(3.9)	(4.6)	(3.7)	(4.6)
	1,105.8	890.8	490.4	390.6	264.2	212.9
Net financing costs					(41.7)	(27.6)
Profit before amortisation and tax					**222.5**	**185.3**
Amortisation					(13.9)	(10.6)
Profit before taxation					208.6	174.7
Margins						
Sunbelt US			*46.9%*	*47.8%*	*27.2%*	*28.3%*
A-Plant			*31.8%*	*33.0%*	*6.7%*	*11.4%*
Sunbelt Canada			*32.7%*	*13.5%*	*8.5%*	*-7.8%*
Group			*44.3%*	*43.8%*	*23.9%*	*23.9%*

Group revenue increased 24% to £1,106m in the fourth quarter (2018: £891m) with a strong performance in the US and Canada. This revenue growth, combined with continued focus on operational efficiency, generated underlying profit before tax of £222m (2018: £185m).

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
2018 rental only revenue		743
Organic (same-store and greenfields)	15%	111
Bolt-ons (since 1 February 2018)	7%	54
2019 rental only revenue	22%	908
Ancillary revenue	17%	236
2019 rental revenue	21%	1,144
Sales revenue	-4%	86
2019 total revenue	19%	1,230

Sunbelt US's organic growth of 15% is well in excess of that of the rental market as we continue to take market share. In addition, bolt-ons have contributed a further 7% 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 22% was driven by an increase in fleet on rent.

A-Plant generated rental only revenue up 2% at £84m (2018: £82m) in the quarter. This represented increased fleet on rent and better yield than a year ago. The principal driver of yield was product mix.

Sunbelt Canada delivered revenue of C$87m (2018: C$62m) in the quarter.

Group operating profit increased 24% to £264m (2018: £213m). Net financing costs were £42m (2018: £28m), reflecting higher average debt levels. As a result, Group profit before amortisation of intangibles and taxation was £222m (2018: £185m). After amortisation of £14m (2018: £11m), the statutory profit before taxation was £209m (2018: £175m).

Balance sheet

Fixed assets

Capital expenditure in the year totalled £1,587m (2018: £1,239m) with £1,417m invested in the rental fleet (2018: £1,100m). 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:

	2019			2018
	Replacement	Growth	Total	Total
Sunbelt US in $m	480.3	1,127.1	1,607.4	1,267.8
Sunbelt Canada in C$m	56.2	99.5	155.7	76.2
Sunbelt US in £m	368.5	864.6	1,233.1	920.4
A-Plant	61.2	33.7	94.9	136.9
Sunbelt Canada in £m	32.0	56.8	88.8	43.1
Total rental equipment	461.7	955.1	1,416.8	1,100.4
Delivery vehicles, property improvements & IT equipment			170.4	138.3
Total additions			1,587.2	1,238.7

In a strong US rental market, $1,127m of rental equipment capital expenditure was spent on growth while $480m 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 2019 was 34 months (2018: 32 months) on a net book value basis. Sunbelt US's fleet had an average age of 33 months (2018: 32 months), A-Plant's fleet had an average age of 38 months (2018: 32 months) and Sunbelt Canada's fleet had an average age of 30 months (2018: 28 months).

	Rental fleet at original cost			LTM rental	LTM dollar	LTM physical
	30 April 2019	30 April 2018	LTM average	revenue	utilisation	utilisation
Sunbelt US in $m	9,125	7,552	8,479	4,637	55%	71%
Sunbelt Canada in C$m	660	394	589	288	49%	61%
Sunbelt US in £m	6,999	5,482	6,500	3,555	55%	71%
A-Plant	907	862	893	416	47%	69%
Sunbelt Canada in £m	376	223	343	167	49%	61%
	8,282	6,567	7,736	4,138		

Dollar utilisation was 55% at Sunbelt US (2018: 55%), 47% at A-Plant (2018: 48%) and 49% at Sunbelt Canada (2018: 60%). The Sunbelt US dollar utilisation is in line with where it was a year ago. The lower A-Plant dollar utilisation reflects the drag effect of yield while Sunbelt Canada reflects the mix of the business with a full year of CRS and the impact of the lower dollar utilisation Voisin's business. Physical utilisation at Sunbelt US was 71% (2018: 72%), 69% at A-Plant (2018: 68%) and 61% at Sunbelt Canada.

Trade receivables

Receivable days at 30 April 2019 were 51 days (2018: 50 days). The bad debt charge for the last twelve months ended 30 April 2019 as a percentage of total turnover was 0.6% (2018: 0.6%). Trade receivables at 30 April 2019 of £756m (2018: £556m) are stated net of allowances for bad debts and credit notes of £53m (2018: £43m) with the allowance representing 7.1% (2018: 7.2%) of gross receivables.

Trade and other payables

Group payable days were 55 days in 2019 (2018: 57 days) with capital expenditure related payables, which have longer payment terms, totalling £196m (2018: £269m). 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	
	2019 £m	2018 £m
EBITDA before exceptional items	2,106.6	1,733.1
Cash inflow from operations before exceptional items and changes in rental equipment	2,042.5	1,681.2
*Cash conversion ratio**	*97.0%*	*97.0%*
Replacement rental capital expenditure	(472.9)	(375.8)
Payments for non-rental capital expenditure	(168.7)	(141.2)
Rental equipment disposal proceeds	181.6	151.8
Other property, plant and equipment disposal proceeds	10.2	8.9
Tax (net)	(51.0)	(97.6)
Financing costs	(142.9)	(110.0)
Cash inflow before growth capex and payment of exceptional costs	**1,398.8**	**1,117.3**
Growth rental capital expenditure	(1,030.6)	(705.9)
Exceptional costs	-	(25.2)
Free cash flow	**368.2**	**386.2**
Business acquisitions	(591.3)	(359.0)
Total cash (absorbed)/generated	**(223.1)**	**27.2**
Dividends	(164.2)	(140.5)
Purchase of own shares by the Company	(460.4)	(158.2)
Purchase of own shares by the ESOT	(14.2)	(10.2)
Increase in net debt due to cash flow	**(861.9)**	**(281.7)**

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

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 21% to £2,043m. The cash conversion ratio for the year was 97% (2018: 97%).

Total payments for capital expenditure (rental equipment and other PPE) during the year were £1,672m (2018: £1,223m). Disposal proceeds received totalled £192m (2018: £161m), giving net payments for capital expenditure of £1,480m in the year (2018: £1,062m). Financing costs paid totalled £143m (2018: £110m) while tax payments were £51m (2018: £98m). Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges. The exceptional costs incurred in the prior year represent the amounts paid to settle the interest and call premium due on the $900m senior secured notes which were satisfied and discharged in August 2017.

Accordingly, the Group generated £1,399m (2018: £1,117m) 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 £368m (2018: £386m) and, after acquisition expenditure of £591m (2018: £359m), a net cash outflow of £223m (2018: inflow of £27m), before returns to shareholders.

Net debt

	2019 £m	2018 £m
First priority senior secured bank debt	2,010.7	1,508.5
Finance lease obligations	5.0	5.3
5.625% second priority senior secured notes, due 2024	379.3	358.4
4.125% second priority senior secured notes, due 2025	454.7	429.5
5.250% second priority senior secured notes, due 2026	453.6	-
4.375% second priority senior secured notes, due 2027	454.4	429.4
	3,757.7	2,731.1
Cash and cash equivalents	(12.8)	(19.1)
Total net debt	3,744.9	2,712.0

Net debt at 30 April 2019 was £3,745m with the increase since 30 April 2018 reflecting the net cash outflow set out above and the impact of weaker sterling (£126m). The Group's EBITDA for the year ended 30 April 2019 was £2,107m and the ratio of net debt to EBITDA was 1.8 times at 30 April 2019 (2018: 1.6 times) on a constant currency basis and 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 46% of the drawn debt at a fixed rate as at 30 April 2019. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result, the carrying value of fixed rate debt is unaffected by changes in credit conditions in the debt markets and there is therefore no exposure to fair value interest rate risk. The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the senior secured credit facility. The interest rates currently applicable to this variable rate debt are LIBOR as applicable to the currency borrowed plus 150bp.

The Group periodically utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. However, during the year ended and as at 30 April 2019, the Group had no such swap agreements outstanding. The Group 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 2019, 93% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 30 April 2019, dollar denominated debt represented approximately 60% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 30 April 2019, a 1% change in the US dollar exchange rate would impact pre-tax profit by £11m.

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.

<u>Credit risk</u>

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 710,000 during the financial year, and does not have any significant credit exposure to any particular customer. Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the markets they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage 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 2019, availability under the $4.1bn facility was $1,622m (£1,244m).

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 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 benefitting from the economic cycle and we expect to see further upside as the economic growth 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. As we move further into this cycle, the risk of an economic downturn increases.

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.
- Enhance the barriers to entry to newcomers provided by our platform: 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 a 9% market share in the US, a 4% market share 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 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 2019, our facilities were committed for an average of six years, leverage was at 1.8 times and availability under the senior debt facility was $1,622m.

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
Risk separately identified in current year having previously been considered as part of the business continuity risk.

We continue to enhance our response to cyber security threats.

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

Health and safety

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 0.34 (2018: 0.33) in Sunbelt US, 0.28 (2018: 0.08) in Sunbelt Canada and 0.22 (2018: 0.22) in A-Plant.

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 has remained relatively constant with the prior year as our well-trained, knowledgeable staff have become targets for our competitors.

Increased focus on recruitment and induction training programmes as our highest level of turnover is within the first two years of employment.

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

Environmental

Potential impact
We need to comply with environmental laws. 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 2018/19 our carbon emission intensity ratio reduced to 67 (2018: 72) in Sunbelt US and 56 (2018: 67) in Sunbelt Canada. A-Plant's carbon emission intensity ratio was 75 (2018: 74).

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 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 2,300 people in Sunbelt US, 125 people in Canada and 525 people in A-Plant underwent induction training and additional training programmes were undertaken in safety.

OPERATING STATISTICS

	Number of rental stores		Staff numbers	
	2019	2018	2019	2018
Sunbelt US	773	658	13,015	11,722
A-Plant	196	187	3,789	3,571
Sunbelt Canada	67	54	984	688
Corporate office	-	-	15	15
Group	1,036	899	17,803	15,996

Sunbelt US's rental store number includes 19 Sunbelt at Lowes stores at 30 April 2019 (2018: 19).

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 headroom on a given date under the terms of our $4.1bn asset-backed senior credit facility, taking account of current borrowings.

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

Cash conversion ratio: represents cash flow from operations before exceptional items and changes in rental equipment as a percentage of underlying EBITDA. Details are provided within the Review of 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 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: EBITDA is earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to profit before tax is shown on the income statement.

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

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

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

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

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

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

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

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

Physical utilisation: physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt US is measured only for equipment whose cost is over $7,500, which comprised 88% of its fleet at 30 April 2019.

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

LTM underlying operating profit (£m)	1,264
Average net assets (£m)	7,117
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 $4.1bn asset-backed senior credit facility.

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

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