POWERING
THE PLATFORM

ANNUAL REPORT & ACCOUNTS 2020

Ashtead group

Our growing footprint, the ever-increasing diversity of the equipment we rent and our excellent customer service all make doing business with us easy and hassle-free. We call this the platform.

"I am extraordinarily proud of, and grateful for, our team members and their response during a time when our communities were in need. All levels of the organisation quickly adapted our operations to continue servicing our customers while keeping our leading value of safety at the forefront of all we do.

While no one could have foreseen the global impact of COVID-19, our business model and capital structure are designed to withstand the cyclical nature of some of our end markets. We took prompt actions to optimise cash flow, reducing capital expenditure and operating costs, and strengthen further our liquidity position. In these unprecedented times, the results of our long-term strategy to mature our business through diversity and scale came through in our performance.

Looking forward, I am certain these swift actions combined with the strength of our cash flow and balance sheet will serve the Group well. The diversity of our products, services and end markets coupled with ongoing structural change opportunities put the Board in a position of confidence to look to the coming year as one of strong cash generation and strengthening our market position. Based on this confidence, the Board has decided to maintain its progressive dividend policy and to recommend a final dividend of 33.5p."

Brendan Horgan
Chief executive

STRATEGIC REPORT

DIRECTORS' REPORT

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

Throughout the Annual Report we refer to a number of alternative performance measures, including measures such as underlying results, free cash flow and constant currency growth. These are defined in the Glossary on page 153.

Forward looking statements
This report 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.

1,105
RENTAL STORES WORLDWIDE

815,000
RENTAL ASSETS

260m+
MILES TRAVELLED FOR DELIVERY AND SERVICES

745,000
CUSTOMERS

REVENUE (£M)

£5,054m

2020	5,054
2019	4,500
2018	3,706
2017	3,187
2016	2,546

UNDERLYING PROFIT BEFORE TAXATION (£M)

£1,061m

2020	1,061
2019	1,110
2018	927
2017	793
2016	645

UNDERLYING EPS (P)

175.0p

2020	175.0
2019	174.2
2018	127.5
2017	104.3
2016	85.1

PROFIT BEFORE TAXATION (£M)

£983m

2020	983
2019	1,059
2018	862
2017	765
2016	617

EPS (P)

162.1p

2020	162.1
2019	166.1
2018	195.3
2017	100.5
2016	81.3

OUR GROUP AT A GLANCE

AN INTERNATIONAL NETWORK OF EQUIPMENT SOLUTIONS AND SERVICES

Ashtead is an international equipment rental company, trading under the Sunbelt Rentals brand, with national networks in the US, Canada and the UK. We rent a full range of construction, industrial and general equipment across a wide variety of applications to a diverse customer base.

OUR PURPOSE

To provide a reliable alternative to ownership for our customers while delivering sustainable value and above average performance across the cycle for our stakeholders.

→ See more on page 24

OUR STRATEGY

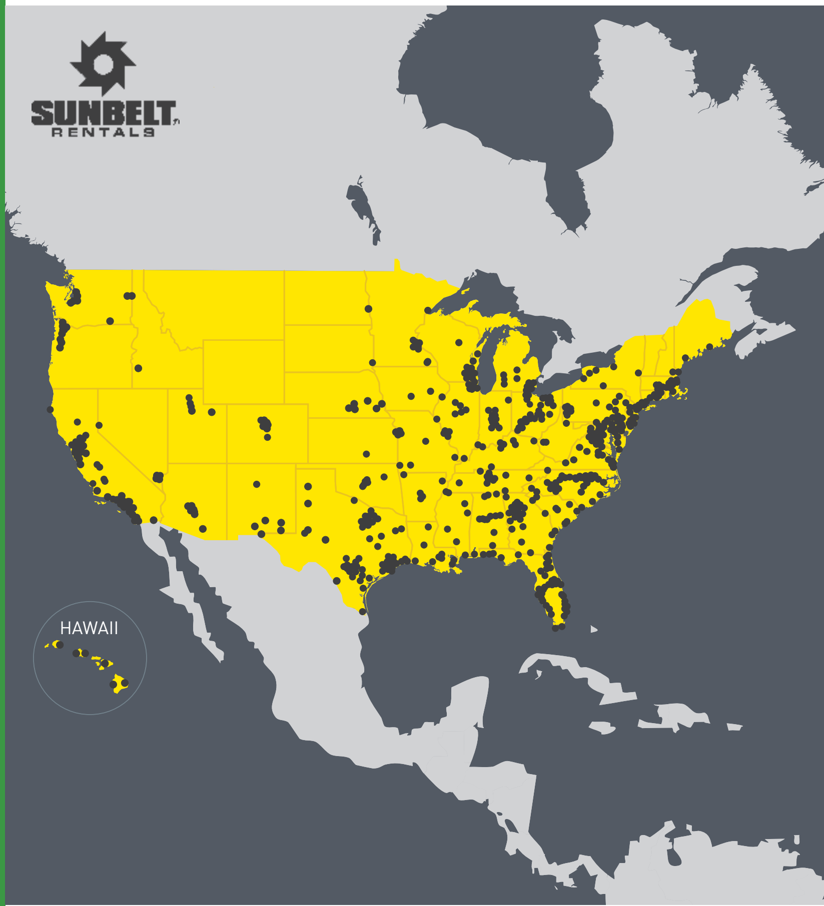
- Build a platform for growth
- Operational excellence
- Maintain financial and operational flexibility

→ See more on page 28

OUR CULTURE

- Safety is our top priority
- Making it happen
- Very best levels of customer service
- Innovation through new products and markets

→ See more on page 48



US

The second largest equipment rental company in the US with 837 stores

REVENUE
$5,490m

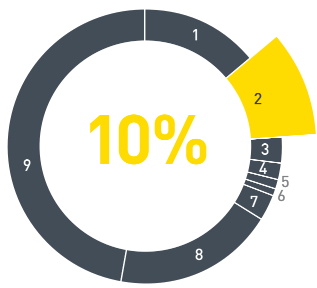
SEGMENT RESULT
$1,560m

RETURN ON INVESTMENT[1]
21%

STORES
837

EMPLOYEES
14,048

FLEET SIZE
$10,102m



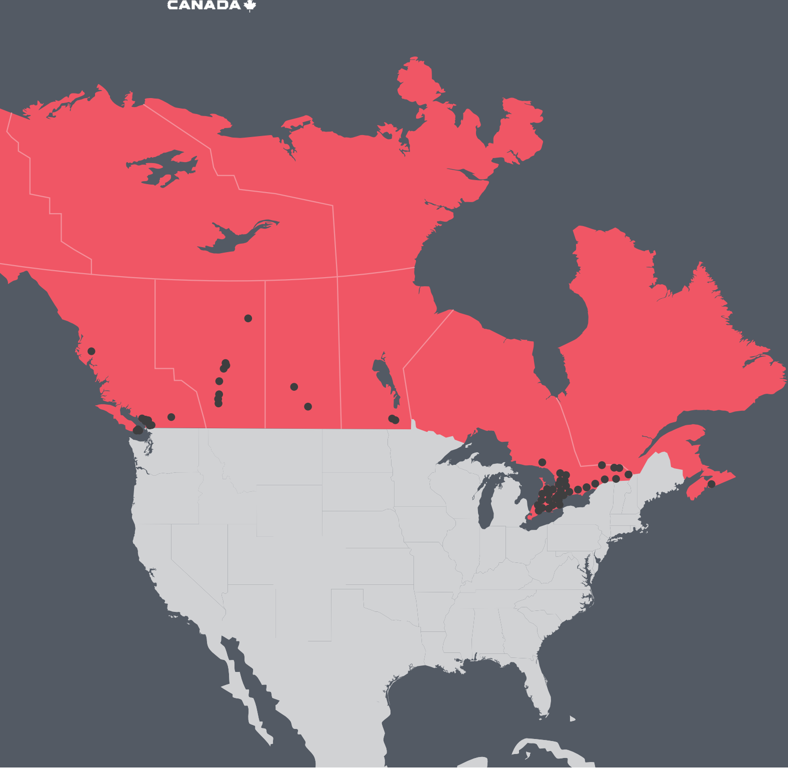
MARKET SHARE[2]

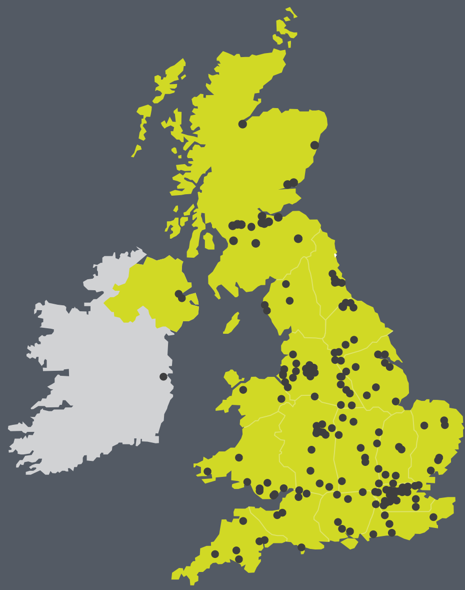
1	United Rentals	14%
2	**Sunbelt**	**10%**
3	Herc Rentals	3%
4	Home Depot	2%
5	H&E	1%
6	Ahern	1%
7	Top 7–10	3%
8	Top 11–100	c.19%
9	Others	c.47%

FLEET COMPOSITION[3]

34%	**21%**	**13%**	**11%**	**2%**	**19%**
Aerial work platforms	Forklifts	Earth moving	Pump and power	Scaffold	Other

1 Excluding goodwill and intangible assets.
2 Source: Management estimate based on IHS Markit market estimates.
3 Source: Management information.





CANADA

Market share of 5% in Canada with 75 stores.

REVENUE
C$421m

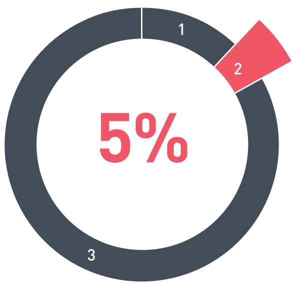
SEGMENT RESULT
C$54m

RETURN ON INVESTMENT[1]
9%

STORES
75

EMPLOYEES
1,506

FLEET SIZE
C$921m



MARKET SHARE[2]

1	United Rentals	12%
2	**Sunbelt**	**5%**
3	Others	83%

UK

The largest equipment rental company in the UK with 193 stores.

REVENUE
£469m

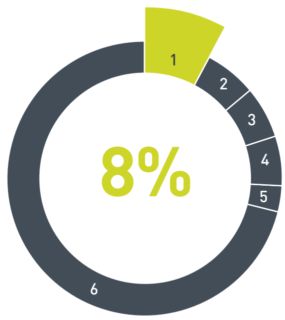
SEGMENT RESULT
£36m

RETURN ON INVESTMENT[1]
5%

STORES
193

EMPLOYEES
3,712

FLEET SIZE
£874m

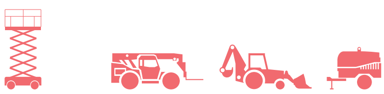


MARKET SHARE[2]

1	**Sunbelt***	**8%**
2	HSS	6%
3	Speedy	6%
4	VP	6%
5	GAP	3%
6	Others	71%

* The UK business was rebranded Sunbelt Rentals on 1 June 2020.

FLEET COMPOSITION[3]



31%	10%	15%	8%	36%
Aerial work platforms	Forklifts	Earth moving	Pump and power	Other

FLEET COMPOSITION[3]

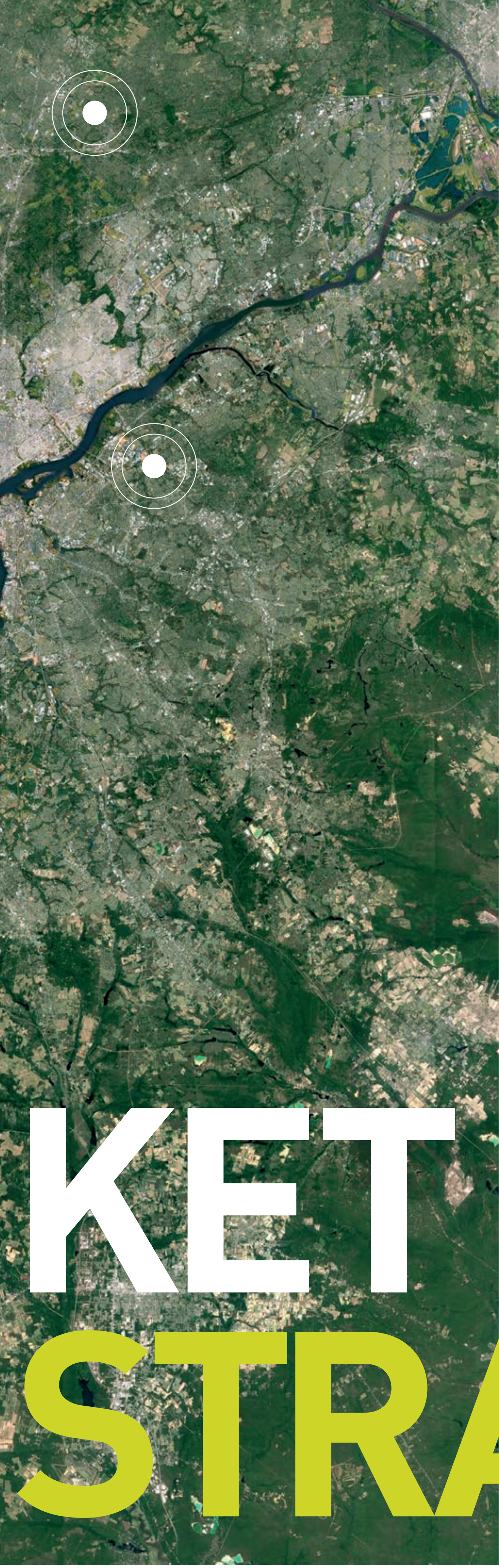
11%	10%	14%	15%	4%	3%	2%	12%	29%
Aerial work platforms	Forklifts	Earth moving	Accomm-odation	Pump and power	Acrow	Traffic	Panels, fencing and barriers	Other

CASE STUDY
PHILADELPHIA, PENNSYLVANIA

Philadelphia is a great example of why our cluster strategy helps us outperform the market. When times are good, clusters help us generate growth. Under stress, they enable us to remain resilient because of the availability of our diverse product offering. In March 2020, construction stopped completely in the Philadelphia area due to COVID-19. But our business only decreased 40% in that period reflecting the breadth of our customer base and the high demand for our extensive product portfolio and has now returned to pre COVID-19 levels.

Our cluster approach is an important aspect of building a broad platform for growth. Our greenfield sites are chosen carefully to enhance our existing business and we focus on building clusters of stores to meet the multiple needs of our customers.

OUR MAR
CLUSTER



LOCAL HUSTLE, NATIONAL MUSCLE

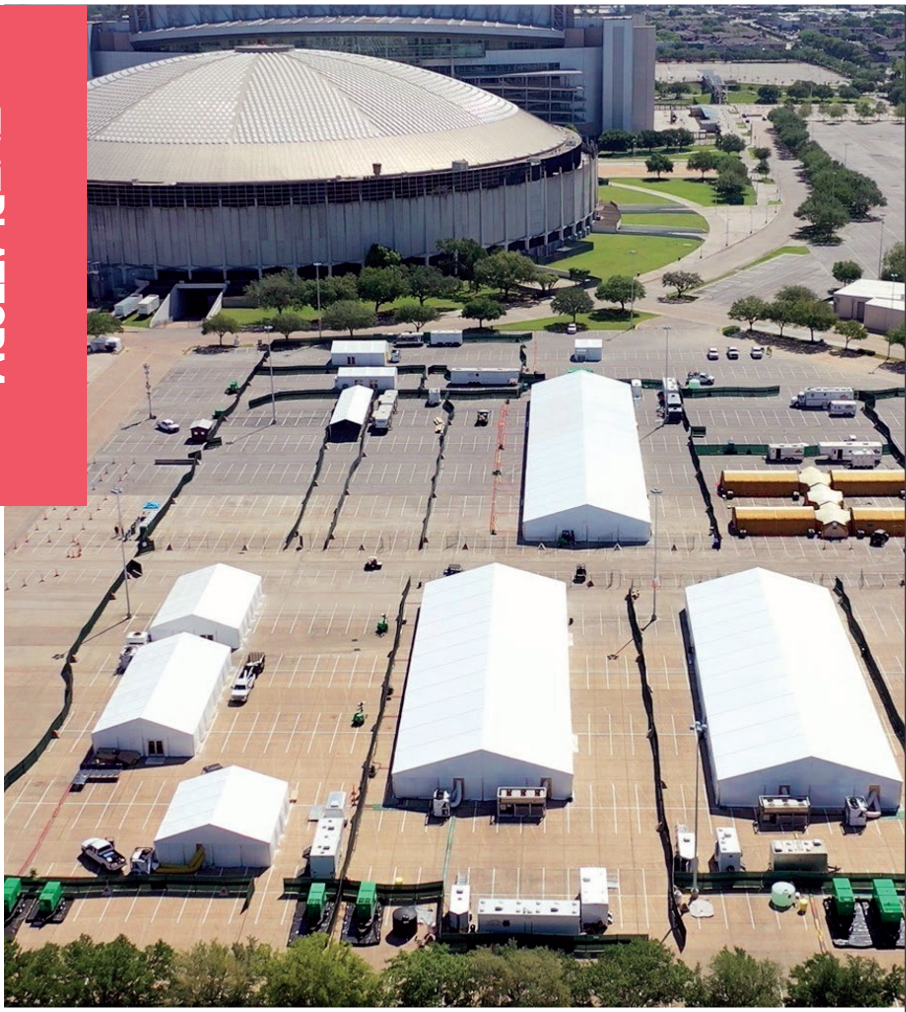
Our cluster strategy is a huge source of competitive advantage. As we increase our cluster in any one geography, we grow our end market. We offer a wide range of products in close proximity to customers. They have no need to go elsewhere to fill their equipment needs. The interaction of the stores in a cluster is also what makes the difference. We find that having a blend of large and smaller general tool stores with the addition of a broad offering of specialty stores differentiates us from the competitors and expands our end markets, making it the optimal operating model.

1,105

RENTAL STORES

KET
STRATEGY

THE PLATFORM



FACILITIES MAINTENANCE AND MUNICIPALITIES

- OFFICE COMPLEXES
- APARTMENT COMPLEXES
- GOVERNMENT
- HOSPITALS
- DATA CENTRES
- PARKS AND RECREATION DEPARTMENTS
- SCHOOLS AND UNIVERSITIES
- SHOPPING CENTRES
- PAVEMENT/KERB REPAIRS
- GOLF COURSE MAINTENANCE

THE CHANGING FACE OF OUR CUSTOMERS

Our markets continue to broaden, with a growing diversity of end markets choosing our solutions.

SPECIALTY BUSINESS EVOLUTION

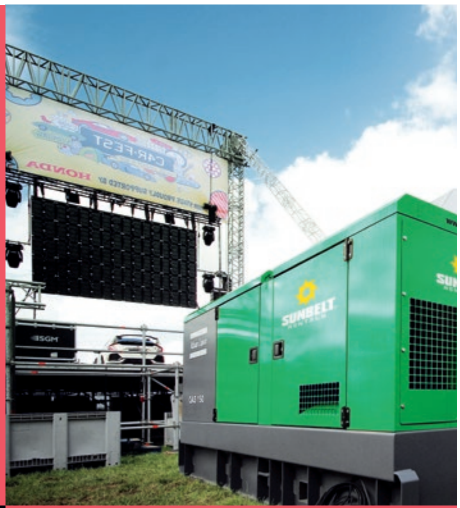
When we first started out, the majority of our business came from the construction industry. We have worked hard to expand the market sectors and applications that now rely on renting equipment rather than owning it.
Our specialty businesses, such as Climate Control, Power & HVAC, Pump Solutions, Ground Protection and Flooring Solutions, are an ever-growing part of our business. These specialty businesses enable us to broaden the customer base and extend our end market reach, including facility maintenance, special events, emergency response and air quality/climate control. This all adds to our growth in good markets and helps us mitigate declining revenues from a construction downturn or in a recession.

43bn+

BTU/HR OF HEATING DELIVERED

CONSTRUCTION

- AIRPORTS
- HIGHWAYS AND BRIDGES
- OFFICE BUILDINGS
- DATA CENTRES
- SCHOOLS AND UNIVERSITIES
- SHOPPING CENTRES
- RESIDENTIAL
- REMODELLING



EMERGENCY RESPONSE

- FIRE
- HURRICANES
- FLOODING
- TORNADOES
- WINTER STORMS
- RESIDENTIAL EMERGENCIES
- COVID-19
- ALTERNATIVE CARE FACILITIES
- POINTS OF DISTRIBUTION
- MOBILE TESTING FACILITIES

ENTERTAINMENT AND SPECIAL EVENTS

- NATIONAL EVENTS
- CONCERTS
- SPORTING EVENTS
- FILM/TV PRODUCTION
- THEME PARKS
- FESTIVALS
- FARMERS' MARKETS
- LOCAL 5K RUNS
- CYCLE RACES

CASE STUDY

SAFER, CLEANER DEWATERING

We provided a safer, cleaner, explosion-proof electric pumping solution to a Colorado wellhead that had experienced a fire that burned down a rig due to the operator's faulty diesel-powered generator. This proved so successful on the first two sites, the customer ordered another five more which are on rent permanently.

CASE STUDY

SUPPORTING THE ALEXANDER HAMILTON BRIDGE

We provided engineering design services and standardised modular towers to support the ramps leading onto the Alexander Hamilton Bridge in New York, while a major reconstruction project took place. Each tower needed to withstand 1.2m pounds of force. This project enhanced our reputation as the go-to rental firm for engineering and equipment to temporarily support buildings and infrastructure.

CASE STUDY

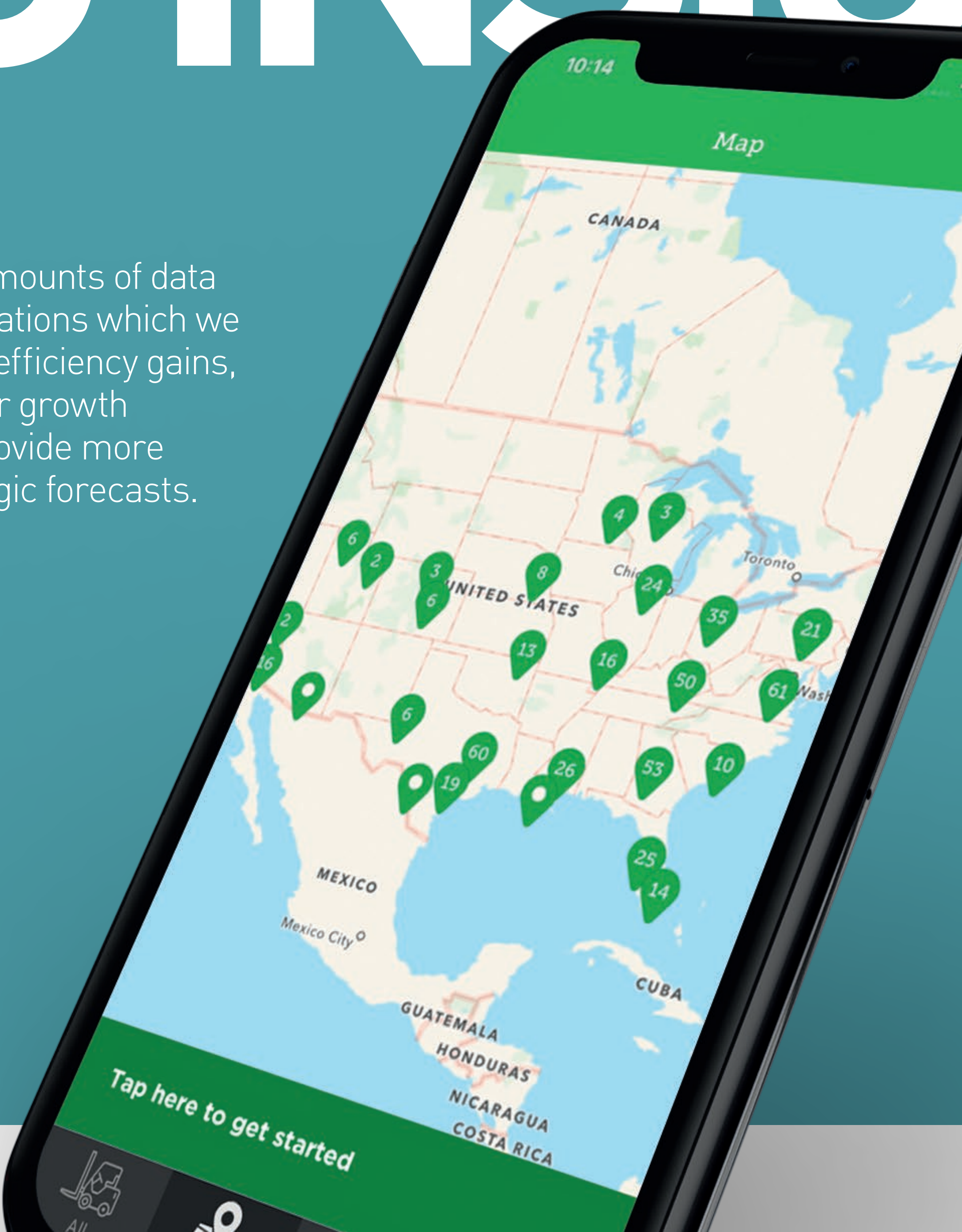
KEEPING THE POWER GOING

Standby generators may not serve their purpose unless businesses ensure they undergo regular preventative maintenance. Load bank testing is an integral part of best maintenance practices. We provide load banks to simulate real world conditions for power supplies and critical power systems, wind and solar farms, substations and transformers, naval and marine generators, and Integrated Systems Testing of grid power.

1.1M+

METRES OF BARRIERS ASSEMBLED

BIG D
BIG INSIG



We have vast amounts of data from our applications which we utilise to make efficiency gains, add depth to our growth strategy and provide more accurate strategic forecasts.

DATA
GHTS

745,000

CUSTOMERS

MORE ACCURATE STRATEGIC FORECASTS

Sunbelt's complete digital eco-system begins with our online CommandCenter, including our mobile app, where customers can manage everything to do with their account. Our sales reps have access to this data, as well as a very powerful CRM tool, Accelerate, which enables them to find out where available equipment is located, customer contacts, preferences and potential needs, and all other information relevant to serving the customer. Our Vehicle Delivery Optimisation System ('VDOS') is used by dispatchers to manage pickup and deliveries of equipment at job sites, and schedule drivers who are able to access it on their mobile phones. There are vast amounts of data behind these applications which we leverage to make efficiency gains, add depth to our growth strategy and provide more accurate strategic forecasts.

CASE STUDY

THE SUNBELT MOBILE APP

Technology has revolutionised our business in recent years. Customers can manage their entire account and equipment needs online or on our mobile app. They can track the equipment they have on rent, order new items, see what they rented recently, request service or a pickup, get alerts, log their favourite kit, etc.. Software updates are made easily as market conditions change. For example, in 48 hours we added the ability to request curbside pickup and drop-off for the health and safety of our customers and employees responding to the need for social distancing during COVID-19.

THE PLATFORM

We pride ourselves on our collaborative approach to problem solving. It's what makes us a recognised and trusted partner. We especially love it when our work brings a community together.

CASE STUDY

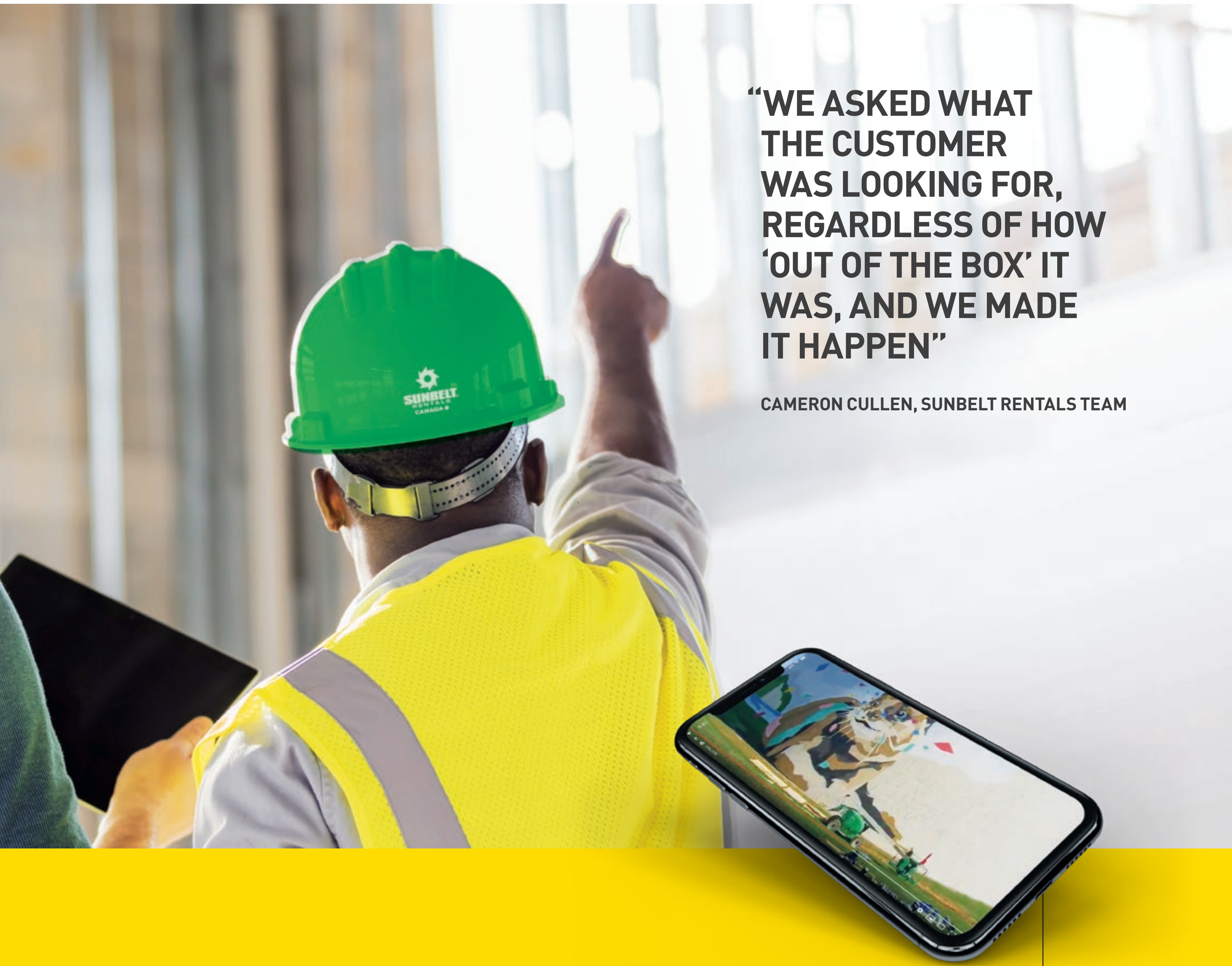
OTTER MURAL, WINSTON-SALEM

The city of Winston-Salem in North Carolina had commissioned an enormous mural to cover the side of a utility water tank. Just how big? The mural, depicting a giant American river otter, was to be 50 feet tall and 270 feet wide — the length of six school buses parked end to end. The artist, selected out of nearly 50 who applied for the opportunity, needed a way to paint at scale.

When the call first came in, it was a simple request for a 60-foot boom lift.

But during that call, the conversation shifted to community impact. The city wanted to showcase the process of bringing the mural to life and engage the public in a big way.

PARTNER



"WE ASKED WHAT THE CUSTOMER WAS LOOKING FOR, REGARDLESS OF HOW 'OUT OF THE BOX' IT WAS, AND WE MADE IT HAPPEN"

CAMERON CULLEN, SUNBELT RENTALS TEAM

We proposed mounting our mobile surveillance camera to capture time-lapse videos of the mural as it was painted.

We installed our Duradeck ground protection mats, delivered the boom lift and installed the camera. Once the painting began, our camera produced a time-lapse video every day for a month, which the city shared far and wide online.

Thousands of residents engaged with those videos, sharing them with friends and followers. Getting the community excited about the mural as it came together was a key element of the project.

ING UP

CHAIR'S LETTER

RESILIENCE WHEN THE GOING GETS TOUGH

Dear Shareholder

I write this letter at a time of unprecedented turmoil in the world. The COVID-19 pandemic is a hugely testing time for businesses, families, communities and society as a whole.

I am proud to say that our response to this crisis has been outstanding and reflects strongly the purpose we have as a business. Under Brendan Horgan's leadership we have continued to provide equipment and services to businesses, communities and government agencies to ensure they can provide essential services at a time when they are most needed. More importantly, we have been able to achieve this whilst prioritising the safety and health of our colleagues and their families.

Our operational mantra of Availability, Reliability and Ease for our customers has never been more relevant.

PROGRESS

For most of this financial year we were unaffected by COVID-19 and we saw strong growth in our US and Canadian markets. We continued to take advantage of the structural changes for renting equipment as well as our strong market offering. Our strategy of broadening our market coverage as well as enhancing our product range continued at pace with 53 greenfield sites opened and 17 bolt-on acquisitions in North America.

In the UK our business has continued to progress well and our decision in March of this year to rebrand the business as Sunbelt UK will enable the operation to become more efficient as well as providing a more complete service to our customers.

During the year we have continued to invest in our digital transformation programme which is an enabler to providing further enhancements to our customer experience. In addition, the new applications rolled out during the year to our field operations have already helped growth in our revenues.

COVID-19

Since the outbreak of COVID-19 many of our colleagues have had to change their work practices including different shift patterns and working from home. Their willingness and agility to make these changes have been outstanding and have been the cornerstone of our ability to operate so effectively during these difficult times.

Unfortunately there have been a number of natural disasters in the United States over the last few years and our experience in providing significant help to the front line services during such a crisis has also been invaluable in our response to the pandemic over the last couple of months.

Although we have continued to see reasonably strong trading during the last few months, in response to the uncertainty created by COVID-19, in April we increased our senior debt facility for a year by $500 million to $4.6 billion which has provided enhanced liquidity for the business. It also seemed prudent to pause our buyback programme, which we did in March having completed £445 million of the original buyback programme.

Given our strong balance sheet and current trading we have not accessed any of the UK government financing schemes or funding of the furlough schemes announced in March.

DIVIDENDS
For many years we have had a progressive dividend policy with our objective being to ensure that dividends are sustainable irrespective of where we are in our business cycle. It's always been our policy to increase your dividend as profits increase and to maintain it when trading is more difficult. I am pleased to say that after taking into account the Group's outlook and financial position, other stakeholder interests and the decision not to access government assistance programmes, the Board is recommending a final dividend of 33.50p per share making 40.65p for the year, which is slightly higher than last year's full-year dividend. Assuming the final dividend is approved at the AGM, it will be paid on 11 September 2020 to shareholders on the register on 14 August 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG')
Good governance is a foundational part of any successful organisation and your Board continues to perform strongly in ensuring the effectiveness of our governance processes throughout the business. The Board also has collective responsibility for Group strategy and ensuring we have the right resources, both financial and people, in place to achieve our goals. You can read more about our governance process in our governance section on pages 70 to 77.

> "I believe the actions we have taken in the business over the last few months combined with the strength of our cash flow serve us well for the coming year.

Of course governance is only one part of broader corporate responsibility which is now referred to as ESG and we continue to make great progress on both environmental and social matters. Working with our suppliers to innovate and shape the next generation of environmentally friendly equipment is one example of how we can have a positive impact on our environment.

Importantly, we have had our best year ever for health and safety and remain focused on making further improvements in the future. The COVID-19 crisis itself has enabled us to further demonstrate our ongoing commitment to supporting all of our people, their families and the communities in which we operate.

BOARD
It is my pleasure to welcome Jill Easterbrook to the Board, who joined in January as an independent non-executive director. Jill's significant retail and digital marketing experience will bring new perspectives and experiences and will add diversity of thought to our Board discussions.

OUTLOOK
I would like to use this opportunity to extend my thanks and that of the Board to all of our colleagues for their dedication and support which has allowed us to continue delivering an outstanding service to our customers during these extraordinary times. I believe the actions we have taken in the business over the last few months combined with the strength of our cash flow serve us well for the coming year. This business has a broad diversity of products and services, and a relentless focus on our long-term business model, supported by continuing structural change in the market. I therefore remain confident of our ability to deliver strong cash generation and to further strengthen our market position in this coming financial year.

PAUL WALKER
Chair, 15 June 2020

HIGHLIGHTS OF THE YEAR

+9%
REVENUE UP 9%[1]; RENTAL REVENUE UP 8%[1]

£1,061m
GROUP UNDERLYING PRE-TAX PROFIT OF £1,061M (2019: £1,110M), A REDUCTION OF 4%[1,2]

175.0p
UNDERLYING EARNINGS PER SHARE OF 175.0P (2019: 174.2P)

£1,224m
GROUP OPERATING PROFIT OF £1,224M (2019: £1,213M)

£740m
POST-TAX PROFIT OF £740M (2019: £797M)

162.1p
EARNINGS PER SHARE OF 162.1P (2019: 166.1P)

£792m
£792M OF FREE CASH FLOW GENERATION (2019: £368M)

£1.5bn
£1.5BN INVESTED IN THE BUSINESS (2019: £1.6BN)

£453m
£453M SPENT ON BOLT-ON ACQUISITIONS (2019: £622M) AND 59 GREENFIELD LOCATIONS OPENED

1.9x
NET DEBT TO EBITDA LEVERAGE[1,2] OF 1.9 TIMES (2019: 1.8 TIMES)

33.5p
PROPOSED FINAL DIVIDEND OF 33.5P, MAKING 40.65P FOR THE FULL YEAR (2019: 40.0P)

1 At constant exchange rates.
2 Excluding the impact of IFRS 16.

STRATEGIC REVIEW

STRENGTH UNDER PRESSURE

We were on track for another record year when COVID-19 changed the world for everyone. We are very proud to be able to report that, despite such an unprecedented 'black swan' event, we are still able to report strong results for the year.

There has, of course, been a COVID-19 impact on our final quarter results, but the underlying strength of the business and our performance in the first three quarters of 2019/20 mean we have continued to perform well overall. Our business is robust, we remain open for our customers in all our geographies and as we would in any crisis, we have activated fully our emergency response operations. You can read more about our COVID-19 response on page 16.

This has been done while staying true to our core value of safety for our team members, customers and the communities we serve. Earlier this year we began a new safety programme and training activities under the Engage for Life banner which will transform the way we operate safely across the Group. Over 10,000 employees have engaged in training activities that help us understand the risks associated with unconscious habits. We are confident that the exercises we are conducting around human performance will give us an even safer and more reliable outcome and continuously improve our safety culture. The impact of COVID-19 has highlighted and tested our safety preparedness like never before.

Our business model and balance sheet are also being tested. We have talked over the years in great detail about the strength of our balance sheet and the way in which we manage the business to accommodate any set of circumstances. We always prepare for both upturns and downturns given a significant proportion of our business serves the cyclical construction industry. While no one could have foreseen the global impact of COVID-19, or the speed and severity of its impact on markets, we are pleased to see the resilience of our business model. In the past, we discussed how the real test of the resilience of the model would come in the next downturn. Sadly what we are now facing is more severe than any of us could have predicted. But we are pleased that our business model and balance sheet are supporting us now as we had always believed they would.

The main driver of our growth during the year remained organic investment and we continued to build on this, investing £453m in 18 bolt-on acquisitions primarily to expand our specialty offering in the US and Canada. Acquisition highlights were King Equipment, the premier aerial work platform provider to the Los Angeles market and William F. White, Canada's leading provider of production set and on-site equipment services and studio facilities to the motion picture, digital media and television industries.

We added 105 new locations in the year as we continued to broaden our product offering and geographic reach. Ours is a business that is resilient even in severe case scenarios and we expect to continue to outperform the market. The platform we have built and the diversity of product and service we are able to provide means we will always be in demand. Construction may be on hold in some places, but municipalities, state agencies and utilities etc. all need our support, now more than ever.

Our strategy remains unchanged because it works. Our market cluster approach is proving to be a significant competitive advantage in difficult times as well as good. Being able to provide a wide variety of equipment in close proximity to our customers is exactly what they need, especially during the pandemic. Businesses are all adapting to new ways of operating, but our commitment to Availability, Reliability and Ease, coupled with our disaster relief expertise, mean we remain the first port of call in a storm. Our broader end markets, coupled with prudent financial management, means we will be better able to mitigate declining revenues than many others and emerge stronger as a result.

Our results are a tale of the first three quarters and the fourth quarter. Group rental revenue was £4,606m and we maintained margins despite opening 59 greenfields, completing 18 acquisitions in the period and the impact of COVID-19. Underlying pre-tax profit was £1,061m, down 4% excluding IFRS 16, at constant exchange rates. Sunbelt US rental only revenue was $4,065m compared to $3,711m last year. This compares to the IHS Markit estimate of overall US rental market growth of around 6%. Organic growth (same-store and greenfield) was 6%, while bolt-ons added a further 4%.

We saw revenue growth of over 20% in Canada, bolstered by bolt-on activity, but with strong organic growth at four to five times the pace of the market. This demonstrates the benefits of the still developing cluster strategy which is taking shape, as we continue to develop our Canadian business along the lines of how we have built our business in the US.

In the UK, we launched Project Unify in the first half of the year as we sought to re-energise and realign the UK business, leveraging our scale and diversity of product and services through greater collaborative cross-selling to our broad set of customers.

> **"Our strategy remains unchanged because it works. Our market cluster approach is proving to be a significant competitive advantage in difficult times as well as good.**

This new strategic direction was launched at a senior leadership meeting with over 700 representatives from across the business, where we announced the rebranding of the business as Sunbelt Rentals UK. While the full implementation of this has been delayed by COVID-19, our leadership team is fully engaged and focused on delivering the power of the business. This could not have been more evident than in our response to COVID-19 and the support provided to the Department of Health and many other essential services. In realigning the business, we have right-sized the fleet to reflect the then current and prospective market demands, and although there has been a short-term impact on profit, the business has generated significant free cash flow and will ultimately deliver improved margins and profitability.

The impact of COVID-19 resulted in lower trading volumes in the second half of March and April, although this was mitigated, in part, by emergency response efforts throughout our business units but particularly within our specialty businesses. As a result, rental only revenue for Sunbelt US in March was 3% (2% on a billings per day basis) higher than prior year and in April was 12% lower than prior year. This is due principally to the general tool business being 15% lower than prior year in April, while the specialty businesses (excluding oil and gas) were 9% higher than last year, with the reduction in the general tool business being driven by declines in volume rather than rental rates. This contributed to Group rental revenue in the fourth quarter being 1% lower than the prior year at constant exchange rates. The degree of impact on volume has varied significantly across different markets and is correlated to the severity of infection rates and associated market level restrictions. From 10 April, we saw US fleet on rent stabilise and then increase as our markets adjusted to new working practices and restrictions eased gradually. The trend was similar in the UK and Canada. As a result, US May rental only revenue was 14% (8% on a billings per day basis) lower than last year.

Our business is sound and we continue to operate well in the most unexpected and difficult of scenarios. In the coming year, we will be focused on doing everything possible to help our business and those of our customers, get back to consistent long-term growth as soon as possible. We expect rental to continue to accelerate and that we will be in excellent share to support our customers when COVID-19 is over.

OUR COVID-19 RESPONSE

The COVID-19 pandemic is unlike any other emergency we have ever had to respond to. But that has not stopped us being ready to do everything we can to help, making the very most of our business model and 'safety first, can do' culture to enable us to deliver.

To keep up with the US demand created by the pandemic, we enacted our Emergency Response Team ('ERT'), and set up a command centre at our support office in Fort Mill, fielding calls for assistance nationwide and coordinating efforts, including supporting temporary hospitals and testing stations nationwide. Likewise we are supporting national efforts in the UK. This support includes multiple equipment types, including power generation and distribution, heating and air conditioning, temporary lighting, forklifts, accommodation units and air quality equipment such as air scrubbers.

In Florida, our team provided equipment and support for the buildout of temporary care facilities, each with a capacity to treat a minimum of 250 patients. In Florida alone there are dozens of temporary generators deployed and installed in support of the response effort, with additional services such as daily fuelling also provided.

Across the US, we supported the rapid buildout of COVID-19 testing stations, including temporary power and heating/air conditioning. These testing facilities were often set up in a matter of hours, and we were working 24/7 to service these urgent needs. We have also been involved in the construction of temporary shelters for the homeless.

The ERT is part of a dedicated effort to provide coordinated, much needed equipment, and response assistance in times of crisis. Most often the team is deployed in response to natural disasters such as hurricanes, tornadoes or wildfires, but the COVID-19 pandemic has led to a similar response effort. The ERT is working in support of local and national government agencies, as well as first response contractors.

In addition to those resources coordinated centrally, the real work is taking place in the field, where our team of 15,500+ dedicated employees across North America is working tirelessly in support of local communities. Curbside pickup and drop-off of equipment is now enabled wherever possible to make renting as safe, convenient and efficient as possible.

The temporary set-ups are an adaptation of base camps used for utility crews in storm recovery. Our team collaborates with government contractors and private sector clients to build and operate these camps. While the pandemic response is new territory, we have learned to expect the unexpected in disaster recovery.

In the UK we have supported the setting up of 73 NHS testing centres with a coordinated effort across our general equipment and specialty businesses. Accommodation units, generators, tower lights, air conditioning units and traffic management equipment together with thousands of other assets have been employed in supporting these sites.

As the impact of the pandemic continues to unfold, we will keep that response going, providing critical support services across our business. In times like these, we've all got to come together. That has been and always will be core to how we work at Sunbelt.

> We are treating this as we would treat any disaster – lending support to our people, our customers, and communities in impacted areas. We saw the need with the current situation and were able to adjust our process. Our equipment, support services and nationwide network allows us to very effectively service the demand that exists in response to this crisis.

SCOTT SILVERMAN, NATIONAL STRATEGIC CUSTOMER MANAGER

IN THE STRATEGIC REPORT

Capitalising on market opportunities

We are building market share through same-store growth, new greenfield investments, selected bolt-on acquisitions and the expansion of our product offering.

→ **Page 18**

Creating sustainable value

Our equipment rental business model, and the management that over the economic cycle, enable us to create long-term sustainable value.

→ **Page 24**

Implementing our strategy

We focus on building market share, maintaining flexibility in our operations and finances, and being the best we can be every day.

→ **Page 28**

Measuring our performance

We had another year of strong financial performance, improved operational efficiency and excellent metrics.

→ **Page 34**

Managing our risks

Our main risks relate to economic conditions, competition, financing, cyber security, health and safety, people, the environment and laws and regulations.

→ **Page 36**

Being a responsible business

We report on responsible business through the Group Risk Committee. We focus on health and safety, our people, the environment, community investment and ensuring the highest ethical standards across the Group.

→ **Page 48**

OUR MARKETS

The US continues to be our largest market and we see significant potential in our newest market, Canada. The UK market is a much more subdued environment than North America and during the year we have taken action to realign the business for the future with a simplification of the go-to-market message and leveraging the cross-selling opportunities across the platform. As part of this process, the business has been rebranded Sunbelt Rentals UK. The US rental market is six to seven times bigger than the UK and we continue to capitalise on the structural changes in that market, as customers continue to adapt to renting equipment rather than owning it. Our Canadian business is still smaller than our UK business but has grown rapidly and we are excited by the opportunities we see there. We expect the Canadian market to develop in a manner similar to the US, as customers get more accustomed to renting a wider variety of equipment and more familiar with the Availability, Reliability and Ease we deliver. Our aim is to continue to grow the business wherever we are in the economic cycle and no matter what unprecedented circumstances face the world.

All our markets have been affected by the consequences of the COVID-19 pandemic and the unprecedented actions taken by governments and the private sector to contain the virus. While this adversely affected trading volumes in the fourth quarter and it will clearly affect the coming year, it does not change the long-term attractiveness of our markets and our opportunity to rent an ever-broader range of equipment. Although volumes were reduced overall, this has been mitigated, in part, by our emergency response efforts throughout our business units but particularly our specialty businesses. We are designated as an essential business in the US, UK and Canada in times of need, supporting government and the private sector in response to emergencies, including hurricanes, tornadoes and, in this case, a pandemic. Our response to the pandemic includes providing vital equipment and services to first responders, hospitals, alternative care facilities, testing sites, food services, telecom and utility companies, while continuing to service ongoing construction sites and increased facility maintenance and cleaning.

THE BREADTH OF OUR MARKETS

Our markets continue to broaden, in terms of geography, range of equipment rented and the applications for which our equipment is used. The graphic below shows the growing diversity of end markets that are using our equipment more and more. In many cases, this is the same equipment just used for a different purpose. A significant proportion of our fleet was developed originally for the construction industry but is now used in applications varying from film and TV production to putting up Christmas decorations. We are reaching these broadening markets as a result of our scale, advancement of our market cluster strategy and specialty business evolution – all positioned to give great service to our customers through our corporate mantra, Availability, Reliability and Ease. For any one of these markets, there is also a wide range of equipment used. Equipment that previously would not have been rented is now part of the rental mix. This is particularly the case with the ongoing structural change most noticeable in the US and Canada.

Construction is a core part of our end markets but we continue to see plenty of growth opportunity in general equipment and specialty businesses in areas such as special events and maintenance. A big change in recent years has been the increase in rentals taking place in ordinary square footage under roof applications every day, and we expect this trend to continue once lockdown measures are eased. In the final quarter of 2019/20 we saw high demand for our emergency response services for which we are well known after working on so many natural disasters, including tornadoes and hurricanes.

We are also seeing changes in the length of time that customers hold on to equipment. Large projects are longer and rental is now core to these rather than being more 'top up' in nature, as it used to be. We are also seeing customers holding on to equipment longer to move to the next job or project.

FACILITIES MAINTENANCE AND MUNICIPALITIES

- Office complexes
- Apartment complexes
- Government
- Hospitals
- Data centres
- Parks and recreation departments
- Schools and universities
- Shopping centres
- Pavement/kerb repairs
- Golf course maintenance

EMERGENCY RESPONSE

- Fire
- Hurricanes
- Flooding
- Tornadoes
- Winter storms
- Residential emergencies
- COVID-19
- Alternative care facilities
- Points of distribution
- Mobile testing facilities

CONSTRUCTION

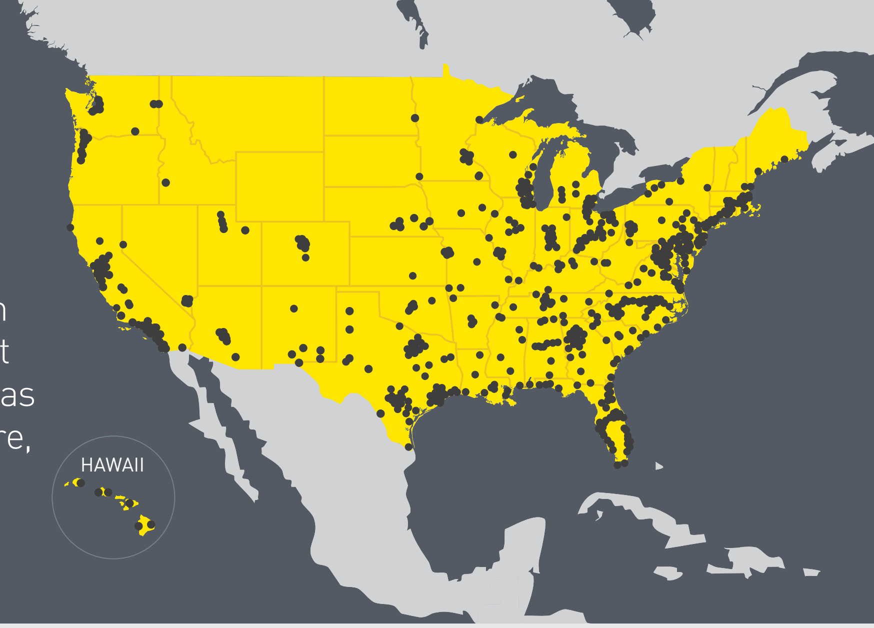
- Airports
- Highways and bridges
- Office buildings
- Data centres
- Schools and universities
- Shopping centres
- Residential
- Remodelling

ENTERTAINMENT AND SPECIAL EVENTS

- National events
- Concerts
- Sporting events
- Film/tv production
- Theme parks
- Festivals
- Farmers' markets
- Local 5k runs
- Cycle races

THE US

Our core US markets have been adversely affected by the impact of COVID-19. While the impact has been immediate and quite severe, the longer term prospects for rental and our products and services remains strong.



It is difficult to predict with any certainty in the current environment but rental industry forecasts are expecting a return to growth during 2021, after a significant retrenchment this year. We expect to perform better than the market as we expand our specialty businesses and continue to take market share.

We had expected to see slowing construction markets in 2020 and 2021 with Dodge Data & Analytics predicting a reduction in starts in each year. The impact of COVID-19 is likely to result in a further slowing of starts as little time will have been spent thinking about future projects and, where it has, thoughts will have turned to the need and/or viability of them. As we move forward, we are likely to see a change in focus of construction with the continued shift away from retail and lower demand for new hotels and office buildings but with increasing demand for data centres, distribution warehouses, infrastructure and office renovation. Lower construction activity will, in part, be mitigated by increased activity in non-construction markets like office and residential remodelling. COVID-19 has resulted in a virtually complete shutdown of the events market, which is dependent on large gatherings of people. While we expect this market to return, it will be a slow build-back from where we are now. Oil and gas is only a very small part of our business and, with the collapse in the oil price, is a reducing part.

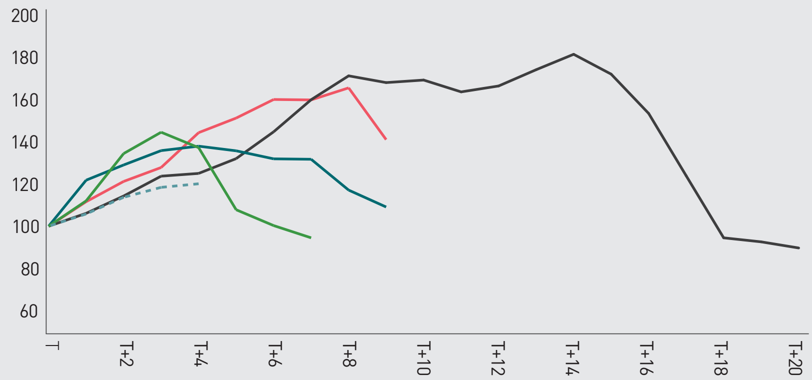
The markets we serve have been strong, as both structural and cyclical trends have been favourable. Chart 02 shows the last three construction cycles. These have followed one of two patterns. From 1975 to 1982 and from 1982 to 1991 the initial recovery was very aggressive but the overall cycle was relatively short. This cycle has been more like 1991 to 2011, which was characterised by a more gradual recovery over a longer period of time. While we had expected a plateauing and gentle decline followed by recovery, we are likely to have a cyclical headwind for the next couple of years. However, although there are similarities with 1991 to 2011, one key difference is that the construction market has not become overheated as it did in 2005/06, which compounded the impact of the financial crisis in 2008/09 on the construction industry. While we will face cyclical headwinds, the structural opportunity of the shift from ownership to rental and increasing market share provides plenty of scope to mitigate them.

01 US MARKET OUTLOOK (RENTAL REVENUE FORECASTS)

2020	2021	2022
-16%	+3%	+10%

Source: IHS Markit (May 2020).

02 CONSTRUCTION ACTIVITY BY CYCLE



1975–1982
1982–1991
1991–2011
2011–2020
Forecast
(T=100 based on constant dollars)

Source: Dodge Data & Analytics (May 2020).

THE US
CONTINUED

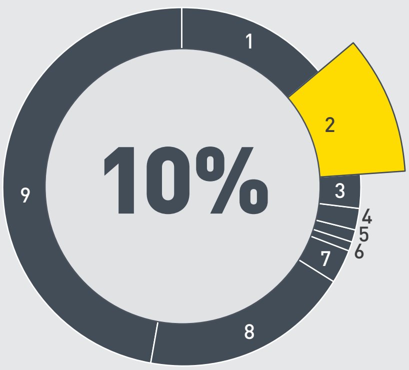
x2

WE HAVE MORE THAN DOUBLED OUR MARKET SHARE IN THE US SINCE 2010

15%

OUR TARGET MARKET SHARE IN THE US

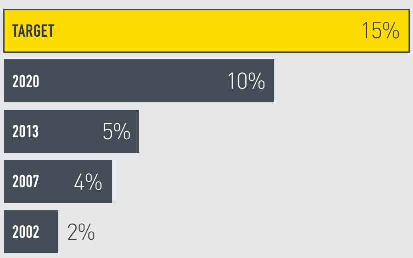
03 US MARKET SHARE



1	United Rentals	14%
2	**Sunbelt**	**10%**
3	Herc Rentals	3%
4	Home Depot	2%
5	H&E	1%
6	Ahern	1%
7	Top 7–10	3%
8	Top 11–100	c.19%
9	Others	c.47%

Source: Management estimate based on IHS Markit market estimates.

04 US MARKET SHARE DEVELOPMENT



Source: Management estimates.

90bn

SQUARE FEET UNDER ROOF IN THE US

Market share in the US

We continue to grow our market share in the US and even though we are the second largest equipment rental company, there remains plenty of room to grow as Chart 03 shows. Our major large competitors are United Rentals and Herc Rentals with 14% and 3% respectively. Home Depot, Ahern and H&E have shares of 2% or less. Most of the remainder of the market is made up of small local independent tool shops.

Much of our market share gain comes from these small independents when we set up new stores or acquire them. Ours is a capital-intensive industry where size matters. Scale brings cost benefits and sophistication in areas like IT and other services, and this leads ultimately to further consolidation. The proportion of the market enjoyed by the larger players continues to increase and we have clearly been a major beneficiary of this trend. Whilst there will always be a place for strong local players, the market share enjoyed by the larger players is likely to grow by a further 30 to 40% in the medium term.

This market share analysis is based on the traditional definition of the rental market focused on construction. A significant market for us is facility maintenance, repair and operation characterised by square footage under roof. In the US there are 90bn square feet under roof and we believe this represents a potential rental market of $7-10bn, with minimal rental penetration at the moment. It is not a new market for the US but one with increasing opportunity as we demonstrate the benefits of rental through Availability, Reliability and Ease. One consequence of this is that we believe the size of the rental market is understated and hence our, and everyone else's, market share is overstated. This only serves to increase the opportunities for growth.

We are confident that as the market grows, our share will also increase. We have a good track record of success having more than doubled our market share since 2010. We continue to set ambitious targets for continuing to increase our market share, with an initial goal of 15%. The speed with which we increase our market share is in part a function of how quickly we can get new locations up and running. However, as noted above, our market share growth also comes from continuing to broaden both our end markets and the range of equipment we have available to rent in each location (more on this in our strategy section on page 28).

The combination of our business model, which you can read more about on page 24, the general attractiveness of our markets and the long-term trend to rental, provides the perfect environment for us to achieve our goals. In addition, our market share gains accelerate as we make the most of our scale advantages. In the longer term, we believe that US market share in the order of 20% is an attainable goal.

As we increase our market share and grow our specialty businesses, they become a greater proportion of the business mix across the cycle. The acquisitions we make are often to expand into a new specialty area or to develop an existing one and then we supplement them with greenfield openings.

"The diversity of our fleet helps us take advantage of this increasing trend to rental and we continue to expand the range of products we rent.

The trend to rental

The trend of rental penetration in the US continues to be positive for the industry as our customers have become accustomed to the flexibility of an outsourced model. Between 2010 and 2020, increased rental penetration effectively grew our end market by c. 25%. We see this trend continuing, which will provide similar levels of market growth over the coming years. Rental still only makes up around 55% of the US market compared to around 75% in the UK. However, this is a broad average with penetration levels ranging from single to low double-digit percentages for, say, floor scrubbers to 90%+ for large aerial equipment. We like specialty products because they are at the low end of this range, which provides greater scope for growth. We see the potential market penetration for rental equipment to be well over 60% in the US. The drivers of this evolution include the significant cost inflation in recent years associated with the replacement of equipment, technical changes to equipment requirements and health, safety and environmental issues which make rental more economical and just easier. For example, environmental regulations have driven further rental penetration through the reduction in fleet size by those customers who previously may have chosen to own some if not all of their larger equipment needs. Customers and smaller competitors with older fleets are faced with heavier replacement spend causing them to either replace less and rent or reduce their fleet size. Furthermore, the difficulties of getting to grips with new technology and maintenance requirements have also caused more operators to decide to rent.

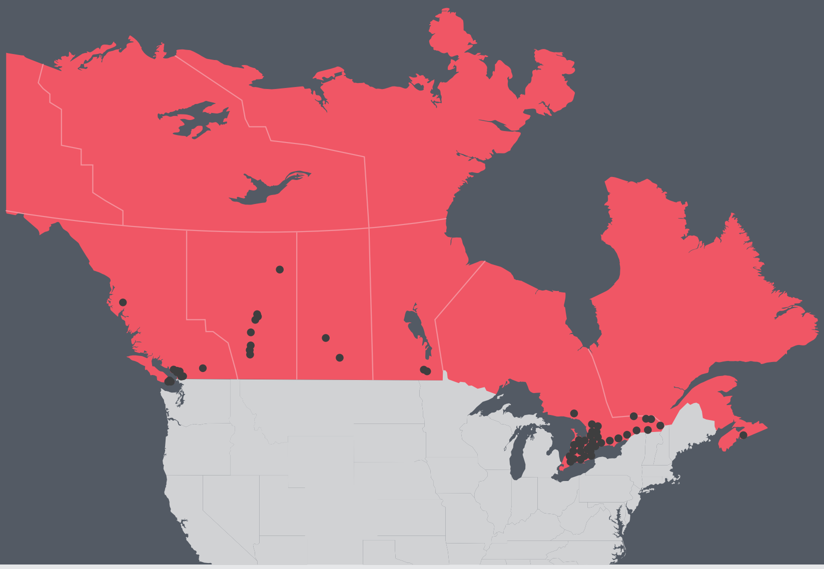
Maintaining optimally-serviced and therefore safe equipment can be a big outlay for a smaller operator. Therefore we continue to invest in keeping our fleet in the best condition it can be to take advantage of the increased demand for rental. The diversity of our fleet helps us take advantage of this increasing trend to rental and we continue to expand the range of products we rent. In addition, our customers are ever more used to renting equipment rather than owning it themselves.

Our customers often assume we will be able to fulfil their equipment needs with a rental product for an ever-widening range of applications. If your fleet consists of equipment which is already predominantly rented and hence, have high rental penetration like telehandlers and large booms, you are not necessarily benefitting from increased rental penetration as it is probably as high as it is likely to get. However, if you have a broader mix of fleet, then there is significant further upside to come from increased rental penetration.

Our development and use of technology is also driving rental penetration. Our highly sophisticated proprietary customer management, inventory and delivery tracking systems enable us to make our customers' rental experience one of Availability, Reliability and Ease. Our customers are increasingly willing to rent different types of equipment from us, more often. (More on this in the section on strategy on page 28.)

CANADA

Canada is still a relatively new and fast-growing market for us.



CANADA
A fast-growing market

Canada is still a relatively new and fast-growing market for us. The existing rental market is just over a tenth of the size of the US. But in the same way that the US has experienced structural growth as more and more types of equipment are rented for different applications, we expect similar trends in Canada in the longer term. Our share of the Canadian rental market is around 5%. There is plenty of scope to develop this in the same way as in the US and we are growing rapidly. Although the market will be affected in the near term as a result of COVID-19, the longer term prospects for the market remain strong. Following a decline in 2020, IHS Markit predicts Canadian rental revenue to grow 5% and 6% in 2021 and 2022. We anticipate growing more rapidly as we take market share and broaden our offering.

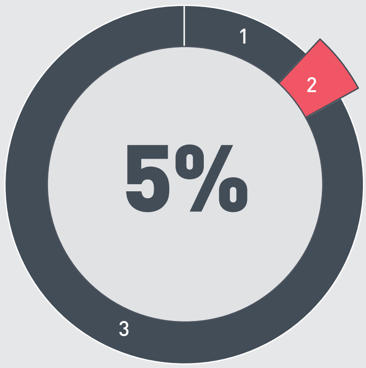
Our entry to the Canadian market was focused first in Vancouver where we acquired a small business in 2014, GWG Rentals, with a strong management team. Using this as a base, we then opened a series of greenfields and made a number of small bolt-on acquisitions to expand the business. We now also have a significant presence in Ontario through the acquisitions of CRS in 2017 and Voisin's in 2018 and are expanding in Edmonton, Calgary and Winnipeg. The acquisition of William F. White ('WFW') in 2019 expanded our specialty business into the provision of production set and on-site equipment, services and studio facilities to the motion picture, digital media and television industries. We are creating a strong platform from which to grow.

Sunbelt Canada has had organic rental only revenue growth of 8% this year and in six years we have gone from six stores to 75. The rental market has, to date, been construction focused, but we continue to develop new markets such as the film industry in Vancouver, and now Toronto following the WFW acquisition. In addition, we have expanded our power and flooring solutions specialty businesses this year. Customers who traditionally rented mainly aerial work platforms are now renting smaller equipment as well. They are seeing increasingly the benefits of working with us to fulfil the full range of their rental needs. Prior to our arrival there was no branded equipment in the market. Our cluster approach (more on this in our section on strategy on page 28) also means we are able to be closer to our customers than has previously been the case.

Across the country there are variances in the mix of fleet we have on rent. In Western Canada we see more customer demand for aerial work platforms ('AWP') especially through our work servicing the film and TV industry. We see great opportunities for expanding our specialty and AWP businesses, especially in Ontario, aided by the acquisition of WFW. As we expand in other provinces we expect to generate more business from Canada's resources industry.

Our initial goal was to achieve market share of 5% in Canada and we are now looking towards the next milestone of 10% market share.

05 CANADIAN MARKET SHARE



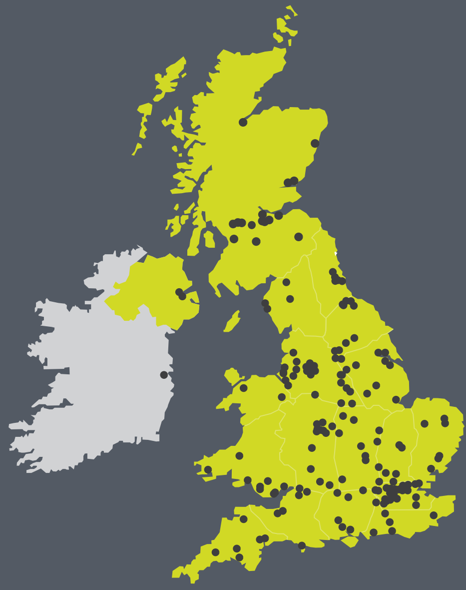
1	United Rentals	12%
2	**Sunbelt**	**5%**
3	Others	83%

Source: Management estimate based on IHS Markit market estimates.

"Our initial goal was to achieve market share of 5% in Canada and we are now looking towards the next milestone of 10% market share.

THE UK

The UK market is more challenging and the outlook somewhat uncertain. A contributory factor has been the continuing uncertainty around Brexit and more significantly recently, COVID-19.



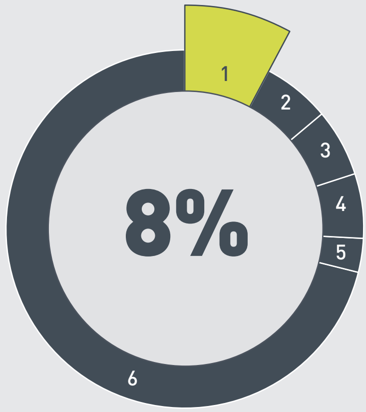
THE UK
Economic resilience

The UK market is more challenging and the outlook somewhat uncertain. A contributory factor has been the continuing uncertainty around Brexit and recently, and more significantly, COVID-19. Structural growth opportunities are more difficult to come by because of an already high level of rental penetration. Chart 07 shows the outlook for UK construction. Although the construction market outlook is weaker than in recent years, we will continue to invest responsibly in the UK market as we seek to increase market share and enhance returns.

Market share

We continue to be the largest equipment rental company in the UK. There are a greater number of major players in the UK market and, as the largest, we only have an 8% market share. Chart 06 shows our key competitors and their share of the market. We believe we continue to be well positioned in the market with our strong customer service, broad-based fleet and strong balance sheet. We launched Project Unify in 2019 to enhance this market position through simplifying our go-to-market message and leveraging the cross-selling opportunities provided by our broad product offering and specialty businesses. As we look to harness the power of this platform, the business has been rebranded, Sunbelt Rentals UK.

06 UK MARKET SHARE



1	**Sunbelt**	**8%**
2	HSS	6%
3	Speedy	6%
4	VP	6%
5	GAP	3%
6	Others	71%

Source: Management estimate based on IHS Markit market estimates.

> **We will continue to invest responsibly in the UK market as we seek to increase market share and enhance returns.**

07 UK CONSTRUCTION INDUSTRY FORECASTS

£m constant 2016 prices	2017 Actual	2018 Actual	2019 Actual	2020 Forecast	2021 Forecast	% of total
Residential	53,785	55,516 3.2%	56,645 2.0%	34,109 -39.8%	41,717 22.3%	**27%**
Private commercial	47,904	47,042 -1.8%	46,881 -0.3%	34,638 -26.1%	41,502 19.8%	**27%**
Public and infrastructure	58,761	57,968 -1.3%	60,733 4.8%	54,553 -10.2%	71,533 31.1%	**46%**
Total	160,450	160,526 0.0%	164,259 2.3%	123,300 -24.9%	154,752 25.5%	**100%**

Source: Construction Products Association (Main scenario: Spring 2020).

OUR BUSINESS MODEL

CREATING SUSTAINABLE VALUE ACROSS THE ECONOMIC CYCLE

WHAT WE DO

We create value through the short-term rental of equipment that is used for a wide variety of applications and the provision of services and solutions to a diverse customer base through a broad platform across the US, Canada and the UK. Our rental fleet ranges from small hand-held tools to the largest construction equipment.

We have a platform which enables our customers to rent what they want, when they want and where they want with ease.

Purchase

We buy a broad range of equipment from leading manufacturers.

Rent

We rent it on a short-term basis to a broad range of customers.

Sell

We sell the old equipment in the second-hand market.

HOW WE DO IT

MANAGING THE CYCLE

Planning ahead

Careful balance sheet management

1 DIFFERENTIATING THE FLEET

- Broad fleet mix
- Highly responsive (no job too small)
- Scale to meet size and range of requirement

→ Page 26

2 ENSURING OPERATIONAL EXCELLENCE

- Optimal fleet age
- Nationwide networks in US and UK and a growing one in Canada
- Long-term partnerships with leading equipment manufacturers
- Focused, service-driven approach
- Strong customer relationships
- Industry-leading application of technology

→ Page 27

AVAILABILITY

Range of products and services

- GENERAL TOOLS
- AIR COMPRESSORS AND ACCESSORIES
- COMPACTION AND EARTH MOVING
- CLIMATE CONTROL SERVICES
- POWER AND HVAC
- PUMP SOLUTIONS
- REMEDIATION AND RESTORATION
- FLOORING SOLUTIONS
- LIGHTING AND GRIP

RELIABILITY

Network

- LOGISTICS
- BRICKS AND MORTAR
- CUSTOMERS
- OUR PEOPLE
- CLUSTERS

Adapting our fleet and cost position

Taking advantage of opportunities

3 INVESTING IN OUR PEOPLE

- Highly skilled team
- Devolved structure
- Maintaining significant staff continuity
- Strong focus on recruitment, training and incentivisation

→ Page 27

4 MAXIMISING OUR RETURN ON INVESTMENT

- Effective management and monitoring of fleet investment
- Optimisation of utilisation rates and returns
- Flexibility in local pricing structures
- Focus on higher-return equipment
- Appropriate incentive plans consistent with improved returns

→ Page 27

EASE

Technology to simplify

COMMANDCENTER
ACCELERATE
MSP
VDOS

VALUE CREATION

Rental solutions

The provision of cost-effective rental solutions to a diverse customer base.

→ Page 26

Long-term relationships

Developing long-term relationships with customers and suppliers.

→ Page 26

Enhancing communities

Enhancing the communities in which we operate, through employment, opportunity and community involvement.

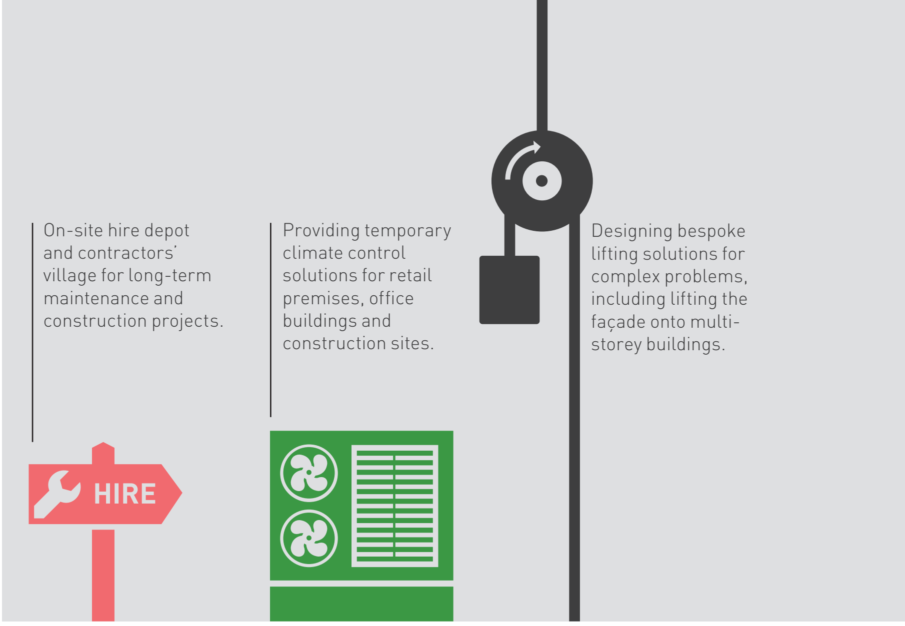
→ Page 48

Sustainable returns

Generating sustainable returns for shareholders throughout the cycle.

→ Page 26

WHAT WE DO IS SIMPLE HOW WE DO IT IS NOT



At its most basic, our model is simple – we purchase an asset, we rent it to customers through our platform and generate a revenue stream each year we own it (on average, seven years) and then we sell it in the second-hand market and receive a proportion of the original purchase price in disposal proceeds. Assuming we purchase an asset for $100, generate revenue of $55 each year (equivalent to 55% dollar utilisation) and receive 35% of the original purchase price as disposal proceeds, we generate a return of $420 on an initial outlay of $100 over an average seven-year useful life. We incur costs in providing this service, principally employee, maintenance, property and transportation costs and fleet depreciation. However, this simple overview encompasses a significant number of moving parts, activities and expertise that powers the platform to ensure Availability, Reliability and Ease for our customers. Our ability to excel in these areas enables us to provide a rewarding career for our team members, generate strong margins and deliver long-term, sustainable shareholder value, whilst managing the risks inherent in our business, even the unprecedented ones like COVID-19 (refer to pages 36 to 39).

MANAGING THE CYCLE

We describe ourselves as being a late cycle business in that our biggest end market, non-residential construction, is usually one of the last parts of the economy to be affected by a change in economic conditions. This means that we usually have a good degree of visibility on when we are likely to be affected, as the signs will have been visible in other parts of the economy for some time. We are therefore able to plan accordingly and react in a timely manner when necessary. While unable to plan for a 'black swan' event such as COVID-19, we were expecting a slowdown in construction markets and were planning accordingly with lower levels of capital expenditure. As a result of COVID-19, we accelerated these plans, enabling us to respond immediately and adapt our business to the changing environment. Under normal circumstances the key to the execution of our model is the planning we undertake to capitalise on the opportunities presented by the cycle. The opportunities are for both organic growth, through winning market share from less well-positioned competitors, and positioning ourselves to be able to fund acquisitive growth if suitable opportunities arise.

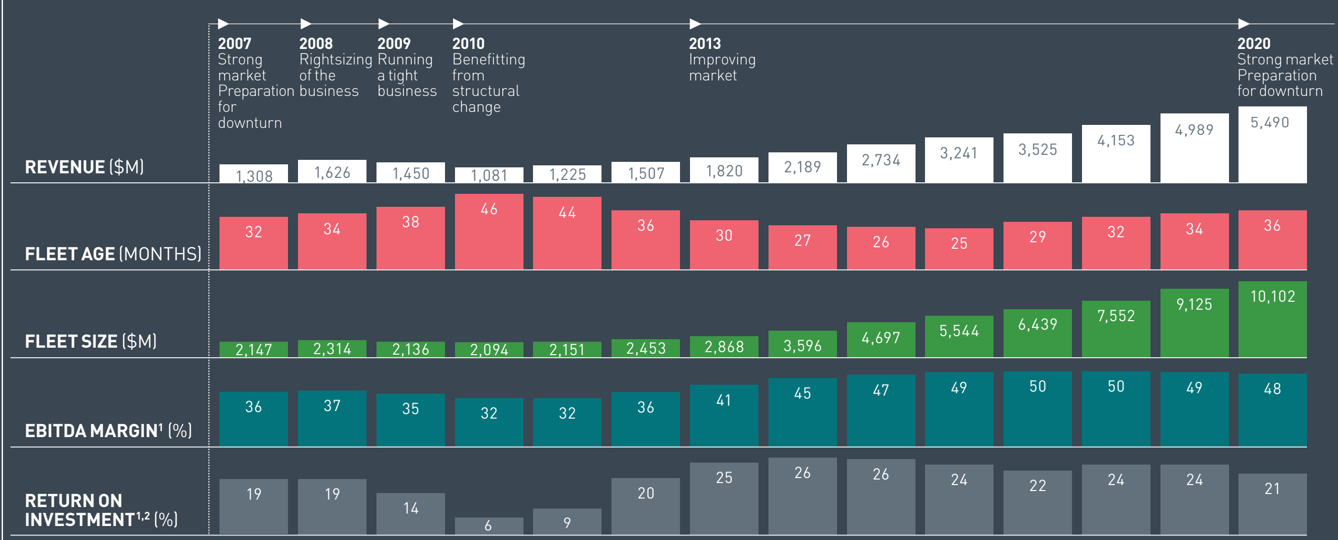
The actions we have taken following COVID-19 are all focused on how we ensure we are better positioned and stronger than our competitors to take advantage of market changes as we come out of the other side. See content on our strategy on page 28.

Differentiating our fleet and service

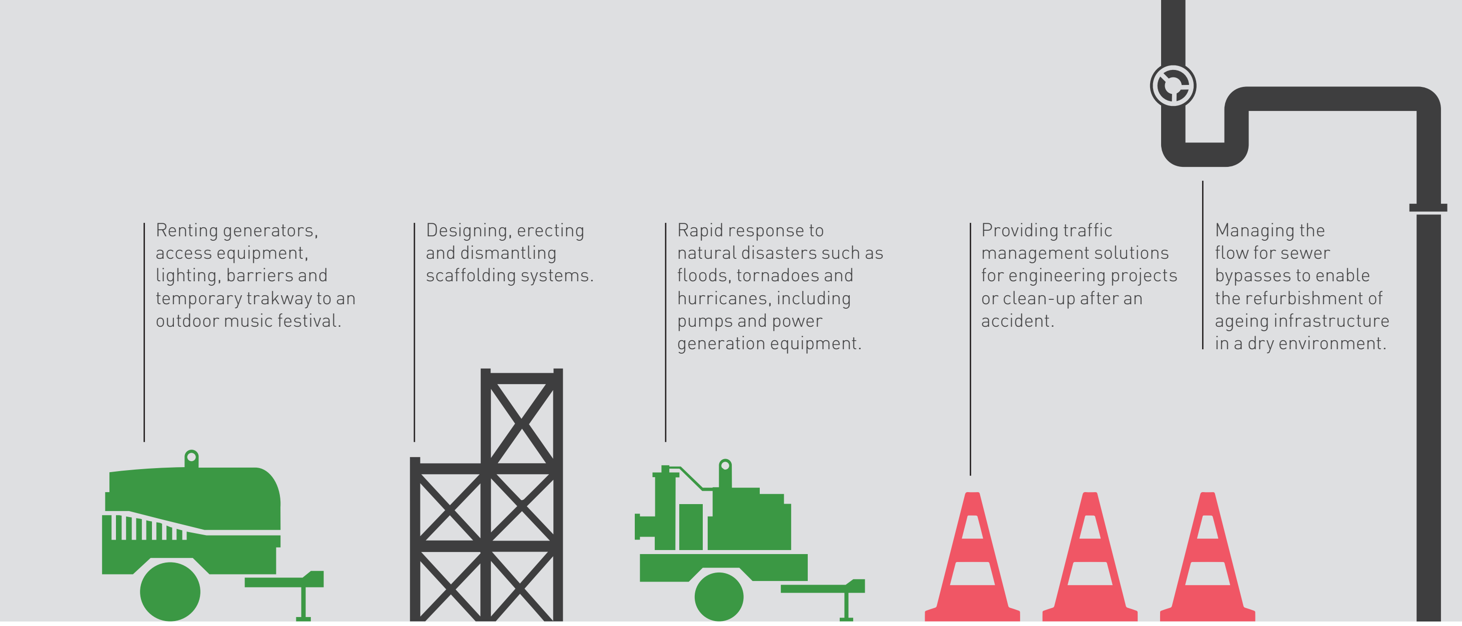
The differentiation in our fleet and service means that we provide equipment to many different sectors. Construction continues to be our largest market but now represents around 45% of our business in the US as we have deliberately reduced our reliance in this area. We continue to develop our specialty areas such as Power & HVAC, Pump Solutions, Climate Control, Scaffolding, Trench Shoring, Flooring Solutions and Industrial Services which represented 24% of our US business. Residential construction is a small proportion of our business as it is not a heavy user of equipment. In the UK specialty represents 55% of our business.

Our customers range in size and scale from multinational businesses, through strong local contractors to individual do-it-yourselfers. Our diversified customer base includes construction, industrial and homeowner customers, service, repair and facility management businesses, emergency response organisations, as well as government

08 MANAGING THE CYCLE – US



1 Excluding the impact of the adoption of IFRS 16, Leases. 2 Excluding goodwill and intangible assets.



entities such as municipalities and specialist contractors. The nature of the business is such that it consists of a high number of low-value transactions. In the year to April 2020, Sunbelt US dealt with over 650,000 customers, who generated average revenue of $7,700.

The individual components of our fleet are similar to our peers. However, it is the breadth and depth of our fleet that differentiates us from them and provides the potential for higher returns. The size, age and mix of our rental fleet is driven by the needs of our customers, market conditions and overall demand. The equipment we provide to each customer is diverse and we are often involved in supplying various types of equipment over an extended period at each distinct stage of a project's development. Our equipment is also used in a wide range of other applications including industrial, events, repair and maintenance and facilities management.

How we operate

Our operating model is key to the way we deliver operational excellence:

- In the US we achieve scale through a 'clustered market' approach of grouping large and small general tool and specialty rental locations in each of our developed markets. This approach allows us to provide a comprehensive product offering and convenient service to our customers wherever their job sites may be within these markets. When combined with our purchasing power, this creates a virtuous circle of scale. You can find out more on our cluster strategy and how it has proved so effective during the COVID-19 pandemic on page 32.
- In Canada, we have first focused on expanding our presence in the Western and Eastern provinces, also achieving scale through a clustered market approach similar to the US. The businesses we acquired have strong positions in construction equipment, aerial work platforms and general tools. We are expanding the range of products available to customers in all areas, including building up our specialty service offering.
- In the UK, our strategy is focused on having sufficient stores to allow us to offer a full range of general tool and specialty equipment on a nationwide basis. We are migrating our network towards fewer, larger locations which are able to address all the needs of our customers in their respective markets, combined with smaller, local locations, not dissimilar to a cluster approach. This approach reflects the nature of the customer base (more national accounts) and the smaller geography of the UK.
- Across our rental fleet, we seek generally to carry equipment from one or two suppliers in each product range and to limit the number of model types of each product. We believe that having a standardised fleet results in lower costs. This is because we obtain greater discounts by purchasing in bulk and reduce maintenance costs. We are also able to share spare parts between stores which helps minimise the risk of over-stocking. Furthermore, we can easily transfer fleet between locations which helps us achieve strong levels of physical utilisation, one of our key performance indicators ('KPIs').
- We purchase equipment from well-known manufacturers with strong reputations for product quality and reliability and maintain close relationships with them to ensure certainty of supply and good after-purchase service and support. We work with suppliers to provide early visibility of our equipment needs which enables them to plan their production schedules and ensures we receive the fleet when we need it. However, we believe we have sufficient alternative sources of supply for the equipment we purchase in each product category.
- We also aim to offer a full service solution for our customers in all scenarios. Our specialty product range includes equipment types such as pumps, power generation, heating, cooling, scaffolding, traffic management, temporary flooring, trench shoring and lifting services, which involve providing service expertise as well as equipment.
- We invest heavily in technology, including the mobile applications required to deliver efficient service as well as high returns. Customers can track the equipment they have on rent, place new orders, request pickup or service or extend their contract while on the go. Our sales reps have access to the same information, along with details of the location of our fleet and all other information required to serve the customer. Technology enables our business and provides power to the platform and a significant advantage over our competitors.
- Our large and experienced sales force is encouraged to build and reinforce customer relationships and to concentrate on generating strong, whole-life returns from our rental fleet. Our sales force works closely with our customers to ensure we meet their needs. Through the application of technology, it is equipped with real-time access to fleet availability and pricing information enabling it to respond rapidly to the needs of a customer while optimising returns.
- We guarantee our service standards and promise our customers we will make it happen. We believe that our focus on customer service and the guarantees we offer help distinguish our businesses from competitors and assist us in delivering superior financial returns. Our responsiveness to customer needs is critical in a business where around 70% of orders are placed for delivery within 24 hours. We have long-standing relationships with many of our customers. Our customer retention is high due to the scale and quality of our fleet, our speed of response and our customer service.
- Our local management teams are experienced and incentivised to produce strong financial returns and high quality standards. We believe that the autonomy given to management teams to take decisions locally ensures that, despite our size, we retain the feel of a small, local business for our employees.

Investing in our people

Our people enable us to provide the exceptional customer service that keeps our customers coming back. Our exceptional staff and focus on service give us a huge competitive advantage in what we do. On page 56 we discuss the importance of our team members and corporate culture in more detail. We aim to recruit good people and then invest in them throughout their careers.

OUR STRATEGY

Our business, even under normal circumstances, will always be cyclical, but the continuing level of structural change in our markets, particularly in the US and Canada, combined with our proven strategy, makes us better able to capitalise on good economic environments and be more resilient in an economic downturn.

Our strategy to optimise the opportunities presented by structural change is growth through same-store investment, greenfields and bolt-ons. From 2011 to 2020, we achieved 19% compound annual growth in the US, of which two-thirds was from structural share gain. Our markets remain full of potential despite the near-term impact of COVID-19 on economies and activity levels. We are always conservative in our approach to maintaining a stable and secure balance sheet throughout the cycle and this enables us to maintain the flexibility we require to manage changes to the business and its environment, as and when they occur. The benefits of this approach have never been more clearly demonstrated than in recent weeks as a result of COVID-19. We have been able to take decisions based on the long-term prospects for the business without having to take short-term decisions that damage the fabric of the business. Despite the significant drop in activity levels in late March and early April, we have not made any staff redundant as a result of COVID-19 and we have not taken advantage of government support such as the Coronavirus Job Retention Scheme in the UK or similar programmes in Canada. We have been able to look to the longer term with our focus remaining on responsible, sustainable growth across the economic cycle.

Our goal in the medium term is to achieve 15% market share in the US, take a 10% share in Canada and grow the UK market share. We continue to believe these are realistic goals given the way the rental market is evolving and the way we do business. Consistent implementation of our strategy across the economic cycle will ensure we are in a strong position at all times to take advantage of the opportunities presented. As we enter the final year of our Project 2021 plan we have achieved our targets of 900 locations in North America and being a $5bn+ revenue business. We will use the coming year, 2020/21, to ensure we continue to be better positioned and stronger than our competitors, enabling us to continue to take market share post COVID-19. We will launch the next phase of our strategy in 2021 although, it is fair to say, a significant component of it will be more of the same.

OUR STRATEGIC PRIORITIES

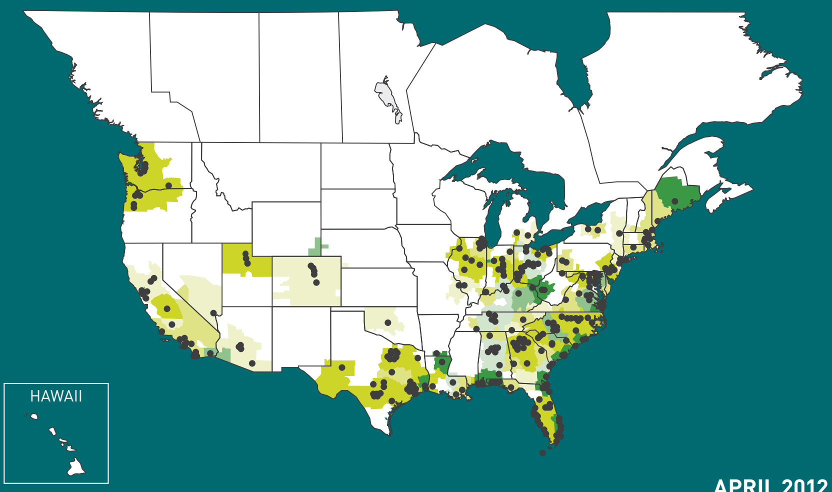
BUILD A BROAD PLATFORM FOR GROWTH

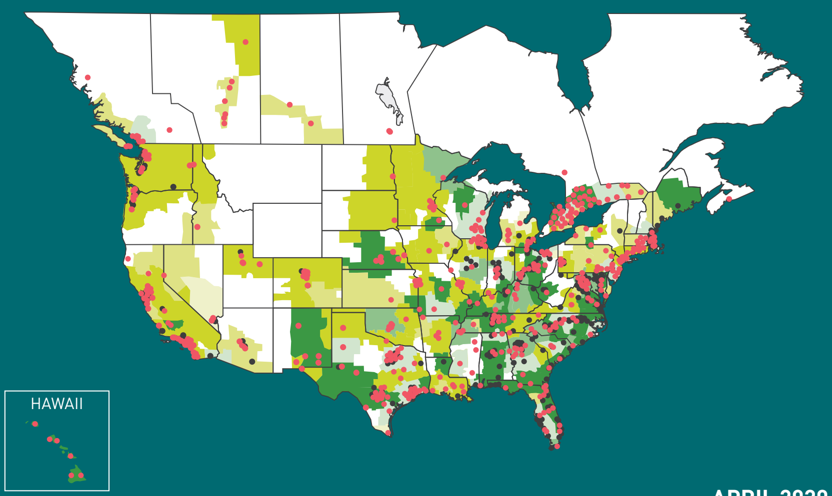
OPERATIONAL EXCELLENCE

MAINTAIN FINANCIAL AND OPERATIONAL FLEXIBILITY

STRATEGIC PRIORITIES	KEY INITIATIVES	UPDATE	RELEVANT KPIs AND RELATED RISKS
Build a broad platform for growth: › target 15% US market share › take 10% Canadian market share › increase UK market share	› Same-store fleet growth › Greenfield expansion › Bolt-on M&A › Develop specialty products › Develop diversified clusters in key areas › Increased focus on non-traditional rental equipment › Increased focus on cross-selling	› 10% US market share › 5% Canadian market share › 8% UK market share › 11% increase in US rental fleet at cost › 10% increase in US fleet on rent › 15% increase in Canadian fleet on rent › 48 greenfield openings in the US › $364m spent on US acquisitions › C$263m spent on Canadian acquisitions › £10m spent on UK acquisitions	**KPIs** › Fleet on rent **Risks** › Competition › People
Operational excellence: › improve operational capability and effectiveness › continued focus on service	› Focus on safety › Operational improvement: – delivery cost recovery – fleet efficiency › Increased use of technology to drive optimal service and revenue growth › ARE initiative: Availability, Reliability and Ease › Focus on culture	› Continued focus on improvement programmes designed to deliver improved dollar utilisation and EBITDA margins	**KPIs** › Dollar utilisation › Underlying EBITDA margins › RoI › Fleet on rent › Staff turnover › Safety **Risks** › Business continuity › People › Health and safety › Environmental › Laws and regulations
Maintain financial and operational flexibility: › RoI above 15% for the Group (excluding IFRS 16) › maintain leverage in the range 1.5 to 2.0 times net debt to EBITDA (excluding IFRS 16) › ensure financial firepower at the bottom of cycle for next 'step-change'	› Driving improved dollar utilisation › Maintain drop-through rates › Increasing US store maturity › Maintaining financial discipline › Optimise fleet profile and age during the cyclical upturn	› RoI of 15% (2019: 18%) › Sunbelt US dollar utilisation of 51% (2019: 55%) › Sunbelt Canada dollar utilisation of 47% (2019: 49%) › Sunbelt UK dollar utilisation of 46% (2019: 47%) › Drop-through of 35% in Sunbelt US › Sunbelt US EBITDA margin of 50% (2019: 49%) › Sunbelt Canada EBITDA margin of 37% (2019: 36%) › Sunbelt UK EBITDA margin of 32% (2019: 35%) › Leverage of 1.9x EBITDA (excluding IFRS 16) Fleet age remains appropriate at this stage of the cycle: › Sunbelt US 36 months (2019: 33 months) › Sunbelt Canada 33 months (2019: 30 months) › Sunbelt UK 43 months (2019: 38 months)	**KPIs** › RoI › Dollar utilisation › Underlying EBITDA margins › Leverage › Net debt **Risks** › Economic conditions › Competition › Financing

09 MARKET SHARE AND GROWTH STRATEGY





Growth

- Locations – April 2012
- Location growth – May 2012 to April 2020

Market share (%)

0 10 15+

IHS Markit/ARA: State of the Equipment Rental Industry, May 2020 Outlook & Management estimates.

10 SOURCES OF US REVENUE GROWTH (YEAR ENDED 30 APRIL 2020)

6% ORGANIC GROWTH + **4%** BOLT-ON ACQUISITIONS = **10%** RENTAL ONLY REVENUE GROWTH

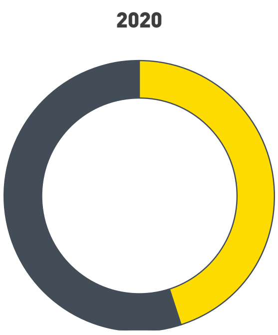
BUILDING A BROAD PLATFORM FOR GROWTH

The first of our strategic priorities is to build a broad platform for same-store growth supplemented by small bolt-on acquisitions and new greenfield sites. Our platform is not only our physical stores but our people and delivery fleet. You can see from the maps how we have made an enormous impact on the US market since 2012 and how much potential there still is to grow. We have added over 500 new locations in the US since we embarked on our strategy for growth in 2012. Anything in green on the map is where we already have over 10% market share. Areas in dark green are where we have over 15%. It is only a matter of time before we achieve similar results across a broader geography because we now have the scale, competitive advantage and balance sheet strength to reach our targets. We believe there is significant opportunity for expansion in both existing and new geographies.

We see similar opportunities to build a broad platform as we expand further in the Canadian market. When we entered the market in 2014 we had six locations in Western Canada. We now have 75 locations with a strong presence in Eastern Canada and we plan to expand further in the interior provinces. We will achieve this through a combination of greenfield sites and acquisitions.

There is a drag on margins when we open new stores but generally they improve quickly as they deliver more revenue and later broaden the fleet and customer mix. The same happens with acquisitions because we buy businesses that we can improve, either operationally or through additional investment, or both. However, our focus remains on same-store growth which supports our existing customers and generates the best returns. This same-store growth is supplemented with greenfields, either building out clusters or entering new markets. This investment drove organic growth of 6% which is part cyclical market growth and part structural growth. So even when the market declines, as is likely in 2020/21, our stores can continue to benefit from the structural part of the growth which is independent of the market. This is why we are consistently able to outperform both our competitors and the market. The strength of our brand and reputation means that greenfield sites become profitable very quickly. The diversity of our product portfolio and services only adds to this. This is also the case in Canada where in five years, we have gone from being unknown to now being a recognised and trusted partner.

11 BUSINESS MIX – US



Construction	45%
Non-construction	55%

Chart 10 shows the revenue growth and mix from organic growth and bolt-on acquisitions. When we add the 4% growth from our bolt-on acquisitions, rental revenue growth becomes 10%, of which around three quarters is structural and not driven by market growth. Our strategy capitalises on both structural and cyclical factors to drive our revenue growth.

Structural growth is people choosing to rent more equipment (increased rental penetration) and the big getting bigger (increased market share). We are able to keep growing because we prioritise investment in the fleet and have the financial security to be able to do that. Our customers want good quality fleet, readily available to meet their needs. Investing in a broad range of fleet and backing that up with great service means our customers remain loyal and do not need to look elsewhere. Prioritising higher return on investment ('RoI') products further helps our growth.

We are always on the lookout for the best opportunities and the flexibility in our model enables us to act quickly when we need to, whether that be opening a greenfield site or making an acquisition, as in the case of the William F. White acquisition in Canada. We are also flexible in the mix of greenfields and bolt-on acquisitions depending on the opportunities we see. Further diversifying the business is also a priority and opportunities that allow us to diversify and expand our specialty businesses are particularly key to our strategy of building a broader base for growth.

Our specialty businesses are a strategic priority and have grown from 16% of our business in 2011 to 24% in 2020. This year 25 of our 48 greenfield openings in the US were specialty stores and we added 11 specialty stores through acquisition.

We aim to build specialty businesses generating $2bn of revenue in time. We have always said we wanted to reduce our dependence on the construction industry. The increase in our specialty businesses is one way in which we have increased the ratio of our non-construction business, as can be seen in Chart 11. The benefit of this strategy has been demonstrated clearly in the fourth quarter. COVID-19 had a significant impact on our end markets, in particular, construction. As a result, fourth quarter rental revenue declined for our general tool business by 2%, while our specialty businesses (excluding oil and gas) grew by 11%. As potential demand for rental products develops in new areas, so we look to expand our product portfolio to accommodate this need. We expect to develop more specialty businesses in the future with events such as the COVID-19 pandemic demonstrating the need for air quality products, amongst others.

Specialty products are typically characterised by low rental penetration and a predominance of small local players. We continue to see further opportunity as we consolidate and improve the service offering leading to market growth from increased rental penetration as our customers become accustomed to the quality of our offering.

As mentioned elsewhere, we are building our rental penetration through expansion of the types of equipment we rent. As well as our specialty businesses, we are increasingly focused on developing the rental penetration of the smaller end of our product range. Chart 12 shows how the largest equipment in our fleet has high levels of rental penetration while the smaller, but often still costly to own, equipment has not traditionally been a large part of the rental mix.

12 RENTAL PENETRATION: THE PRODUCT RANGE

13 OPPORTUNITY TO BUILD OUT FURTHER CLUSTERS, US

Rental markets	Top 25	26–50	51–100	101–210
Rental market %	59%	18%	15%	8%
Cluster definition	>15	>10	>4	>1
Clustered	11 markets	7 markets	9 markets	16 markets

Source: Management information.

Our cluster approach is also an important aspect of building a broad platform for growth. Our greenfield sites are chosen carefully to enhance our existing business. We focus on building clusters of stores because, as they mature, they access a broader range of markets unrelated to construction leading to better margins and RoI.

A top 25 market cluster in the US has more than 15 stores, a top 26-50 market cluster more than ten stores and a top 51-100 market more than four stores. We also include the smaller 101-210 markets within our cluster analysis. We have found that these smaller markets, while performing less well than others overall, often prove more resilient when times are less good. Our definition of a cluster in these markets is two or more stores. Creating clusters is also a key element of our expansion strategy in Canada which also helps us increase the specialty business element of what we can provide for customers. With the advanced technology we have in place, we are able to analyse local market data very accurately. This allows us to find similarities between certain US and Canadian centres, and model our growth plans accordingly. The more customers get to know and trust us, the faster we are able to grow.

We focus on ensuring our clusters meet the multiple needs of local customers even if that means some stores may appear superficially to perform less well than others. The interaction of the stores in a cluster is what gives us real competitive advantage. We find that having a blend of locations is highly desirable and we like to mix up the large equipment locations with smaller general tool stores. The addition of specialty stores serves to really differentiate us from competitors in the area. This enables us to broaden and diversify our customer base and our end markets, as we extend our reach within a market.

Average revenue per store is not a relevant measure with which to evaluate the success of individual clusters or even the business as a whole. The value is in the mix.

Our cluster market approach has been particularly effective in maintaining the viability of the business and servicing customers during the COVID-19 pandemic. Having clusters has meant we are better able to service our customers across a broad range of equipment needs. We have been close to where customers need us to be with the full range of equipment they require.

OPERATIONAL EXCELLENCE

The second of our strategic priorities is constantly improving our operational capability and effectiveness, doing what we do to the very best of our ability. Customer service is a crucial element of this and we continue to build market share because we are in the right locations and providing better equipment with a higher quality of service than our competitors. Our reputation and quality of service is now such that when we open a new location, that store moves quickly up the revenue curve because we are already well known for what we do and how we do it. Our mantra is that our customers' rental experience should be one of Availability, Reliability and Ease. Getting these aspects right helps drive growth.

We want our customers to be delighted by our service and our culture empowers staff to do the right thing and get things done. The Ashtead culture is one of empowered entrepreneurship where staff pay just as much attention to our smaller customers as to our larger ones.

Maintaining low staff turnover and a strong safety culture are crucial to our strategy for operational excellence and you can read more about these in our Responsible business report on page 48.

In the US, we have three main categories of customers whose service needs vary depending on their size. Our smallest customers have rental revenue spend with us of less than $20,000 a year but represent 96% of our customers by number. These smaller customers tend to require higher levels of service but can incur a higher transactional cost. Our medium-sized customers often need equipment for longer periods of time and can command a discounted service. Our largest customers are our national accounts who have large-scale and often very sophisticated requirements. We have gained significant market share in all types of customer due, in part, to the strength of the relationships we build.

Our focus on operational excellence across the board drives our financial performance. Improving operational efficiency is an ongoing focus and we constantly strive to maintain high levels of fleet on rent, improve the organisation of our stores, analyse how we load our delivery trucks and optimise our delivery and pick-up routes and how we spend time at the customer location, for example. As with any multi-location business, all locations are good at some of this, some locations are good at all of it – our goal is for all locations to continuously raise the bar.

Technology plays an increasingly large part in delivering Availability, Reliability and Ease to customers, as we develop proprietary applications to improve the rental process. It is an area of significant investment and during the year we rolled out a new proprietary system which

"Our focus on operational excellence across the board drives our financial performance.

captures the initial order and takes it all the way through to delivery of the equipment across 90% of the business in North America. This fundamentally changes the way we operate and we are already developing the second generation of this system as we focus on the 'Ease' of Availability, Reliability and Ease. Central to our digital eco-system in the US is CommandCenter, including a mobile app, where customers can see and manage everything to do with their account. They can track what equipment they have on rent, order new items from the entire range, see what they have rented recently, request service or a pickup, extend their contract, see store locations, log their favourite equipment, etc.. Our sales reps have access to all of this information, as well as a very powerful customer relationship management tool, Accelerate, which enables them to find where available equipment is located, customer contacts, preferences and potential needs, and all other information relevant to serving the customer. Finally, our Vehicle Delivery Optimisation System ('VDOS') is used by dispatchers to manage pickup and delivery of equipment at job sites, and schedule drivers who are able to access it on their mobile phones. We have been using the online system to enable low contact and curb-side pickup and drop-off during the COVID-19 pandemic. There are vast amounts of data behind these applications which we utilise to make efficiency gains, add depth to our growth strategy and provide more accurate strategic forecasts. We have similar tools in the UK and in Canada.

FINANCIAL AND OPERATIONAL FLEXIBILITY

Maintaining financial and operational flexibility enables us to flex our business and operational models through the economic cycle. As we have said elsewhere, this enables us to react quickly to both negative changes in the market and opportunities. The more growth we experience and plan for, the more financial and operational flexibility we need. A key element of our strategy is ensuring we have the financial strength to enable growth when appropriate and make our returns sustainable. Having a strong balance sheet is fundamental to our success at all stages in the cycle.

A core element of our financial stability comes from our strategy of ensuring that, averaged across the economic cycle, we always deliver RoI well ahead of our cost of capital. RoI through the cycle is the key measure for any rental company and the best medium-term indicator of the strength of the business. We do this in a variety of ways at different stages of the cycle, all focused on the effective management of invested capital and financial discipline.

The maturity of our stores has a big impact on RoI. As stores mature and increase the size and broaden the range of fleet, there is natural margin and returns progression. Stores that were greenfield sites only two years ago are now already adding same-store growth. We are always focused on moving new and young stores up the maturity curve as there is scope for higher returns as they progress. This also means that we are now at a very different stage in our evolution in the current economic cycle relative to where we were in the last cycle. We have more stores and they are larger and more mature than at the peak of the last cycle, so we are much better placed to weather any downturn.

We have, over recent years, been consistent in our commitment to both low leverage and a well-invested fleet and we benefit from the options this strategy has provided. The length and gradual nature of this cyclical upturn has enabled us to establish a smooth, well-distributed fleet profile across the age bands which provides significant flexibility across the economic cycle. Traditionally, rental companies have only generated cash in a downturn when they reduce capital expenditure and age their fleet. In the upturn, they consume cash as they replace their fleets and then seek to grow. We have changed this dynamic through this cycle with our scale and strong margins. We have been in a phase where we continued to grow the business in a cyclical upturn and were highly cash generative. As a consequence, we have maintained our leverage within our target range of 1.5 to 2.0 times net debt to EBITDA (excluding IFRS 16) which provides the Group with significant flexibility and security.

From this position of strength in the up-cycle, we are well positioned to manage the business through the uncertain economic environment as a result of the COVID-19 pandemic, taking decisions for the long-term health of the business, rather than out of short-term necessity. We took prompt action to optimise cash flow, reduce operating costs and strengthen further our liquidity position including:

- reducing capital expenditure to the minimum based on existing commitments;
- suspending all current and prospective M&A activity;
- pausing the share buyback programme;
- implementing a group-wide freeze on new hires;
- reducing discretionary staff costs, use of third-party freight haulers and other operating expenditures consistent with reduced activity levels; and
- increasing our senior secured debt facility by $500m for one year.

While the impact of COVID-19 adversely affected margins, earnings and hence, returns this year and any further market slowdown and/or recession will continue to impact them, we generated record free cash flow of £792m this year and expect strong free cash flow generation next year as we moderate capital expenditure.

A skilled workforce is instrumental to the Group's long-term success and we have made every effort to preserve our committed workforce for the impending recovery. Our financial strength and flexibility has meant that we have not made any team members redundant as a result of the impact of COVID-19 and have not sought assistance from government support programmes such as the UK's Coronavirus Job Retention Scheme and similar schemes in Canada.

Our financial strength provides us with the operational flexibility to ensure the business is well positioned to take advantage of the next 'step-change' in the market and capitalise on growth opportunities in the early stages of the recovery. While we are reducing our capital expenditure in the short-term to reflect market conditions, we are committed to our long-term structural growth. We are very conscious that we have to know both when to spend; when not to spend; and be in a strong position to act appropriately as we have shown this year.

KEY PERFORMANCE INDICATORS

MEASURING OUR PERFORMANCE

At Group level, we measure the performance of the business using a number of key performance indicators ('KPIs'). These help to ensure that we are delivering against our strategic priorities as set out on page 28. Several of these KPIs (underlying EPS, return on investment and leverage) influence the remuneration of our executive team (see page 86).

Certain KPIs are more appropriately measured for each of our operating businesses, whereas other KPIs are best measured for the Group as a whole.

Link to strategic priority

Build a broad platform for growth

Operational excellence

Maintain financial and operational flexibility

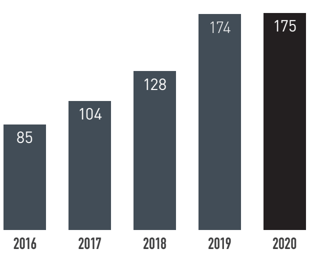
→ **Metrics relating to environmental matters are set out in our Responsible business report on pages 48 to 64**

* Linked to remuneration.

1 No data is available for Sunbelt Canada on a comparable basis due to the acquisition of CRS in August 2017.

2 Physical utilisation for Canada excludes the impact of William F. White in the year.

UNDERLYING EPS (P)*

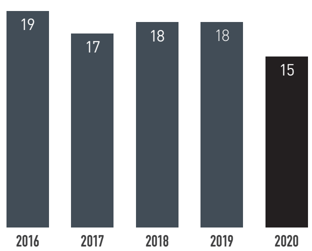


Calculation
Underlying Group profit after taxation divided by the weighted average number of shares in issue (excluding shares held by the Company and the ESOT).

Target
As a cyclical business, underlying EPS varies substantially through the cycle.

2020 performance
Underlying EPS was 175p per share in 2019/20.

RETURN ON INVESTMENT ('ROI') (%)*

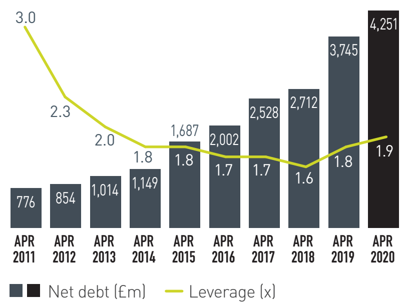


Calculation
Underlying operating profit divided by the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and tax.

Target
Averaged across the economic cycle we look to deliver RoI well ahead of our cost of capital, as discussed in our strategic review.

2020 performance
Our RoI was 15% for the year ended 30 April 2020, reflecting the impact of the COVID-19 pandemic on fourth quarter performance.

NET DEBT AND LEVERAGE AT CONSTANT EXCHANGE RATES*

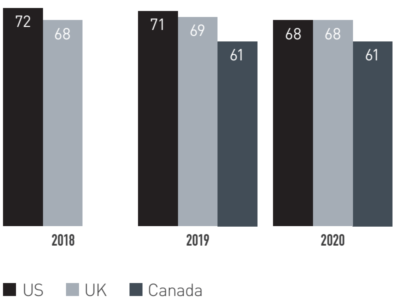


Calculation
Net debt is total debt less cash balances, as reported, and leverage is net debt divided by underlying EBITDA, calculated at constant exchange rates (balance sheet rate).

Target
We seek to maintain a conservative balance sheet structure with a target for net debt to underlying EBITDA of 1.5 to 2.0 times (excluding IFRS 16).

2020 performance
Excluding lease liabilities arising under IFRS 16, net debt at 30 April 2020 was £4,251m and leverage was 1.9 times.

PHYSICAL UTILISATION (%)

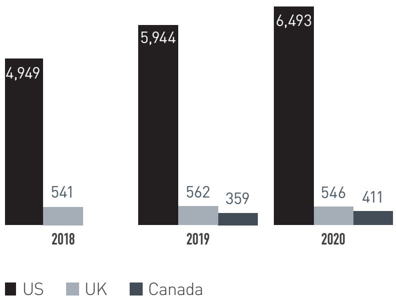


Calculation
Physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt US is measured only for equipment whose cost is over $7,500 (which comprised 97% of its itemised fleet at 30 April 2020).

Target
It is important to sustain annual average physical utilisation at between 60% and 70% through the cycle. If utilisation falls below 60%, yield will tend to suffer, whilst above 70% we may not have enough fleet in certain stores to meet our customers' needs.

2020 performance[1,2]
Sunbelt US utilisation was 68% (2018/19: 71%), while Sunbelt UK utilisation was 68% (2018/19: 69%) and Sunbelt Canada was 61% (2018/19: 61%).

FLEET ON RENT ($M/£M/C$M)

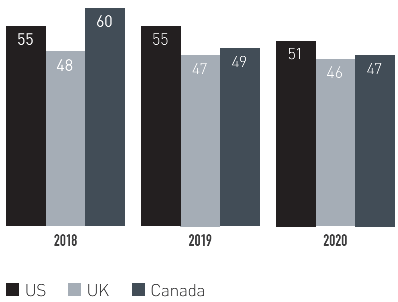


Calculation
Fleet on rent is measured as the daily average of the original cost of our itemised equipment on rent.

Target
To achieve growth rates in excess of the growth in our markets and that of our competitors.

2020 performance[1]
In the US and Canada, fleet on rent grew 9% and 15% respectively in 2019/20, while in the UK it reduced by 3%. The US market grew 6%, the Canadian market by 1% and the UK market was flat.

DOLLAR UTILISATION (%)

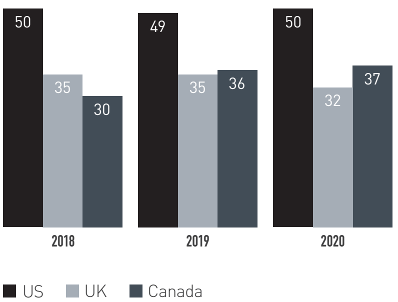


Calculation
Dollar utilisation is rental revenue divided by average fleet at original (or 'first') cost measured over a 12-month period.

Target
Improve dollar utilisation to drive improving returns in the business.

2020 performance
Dollar utilisation was 51% in the US, 47% in Canada and 46% in the UK. These reductions reflect the impact of the COVID-19 pandemic in the fourth quarter and resulting reduction in the activity levels.

UNDERLYING EBITDA MARGINS (%)

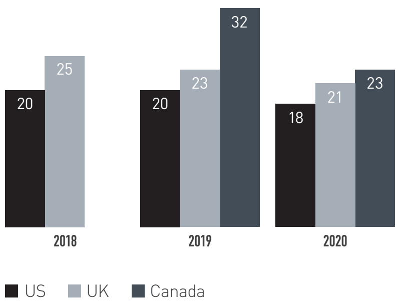


Calculation
Underlying EBITDA as a percentage of total revenue.

Target
To improve or maintain margins and achieve peak EBITDA margins of 45-50% in the US during this cycle, 40-45% in due course in Canada and 35-40% in the UK.

2020 performance
EBITDA margins in 2019/20 were 50% in the US, 32% in the UK and 37% in Canada.

STAFF TURNOVER (%)

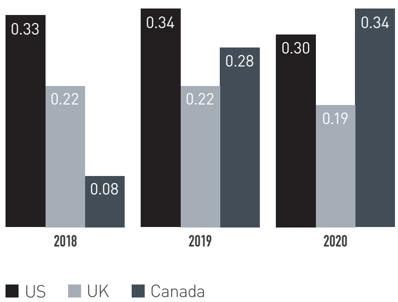


Calculation
Staff turnover is calculated as the number of leavers in a year (excluding redundancies) divided by the average headcount during the year.

Target
Our aim is to keep employee turnover below historical levels to enable us to build on the skill base we have established.

2020 performance[1]
Turnover levels have reduced across the business. Voluntary employee turnover is discussed on page 56. Our well-trained, knowledgeable staff remain targets for our competitors.

SAFETY



Calculation
The RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable rate is the number of major injuries or over seven-day injuries per 100,000 hours worked.

Target
Continued reduction in accident rates.

2020 performance
The RIDDOR reportable rates of 0.30 in the US and 0.19 in the UK were lower than the prior year. For Canada, the RIDDOR reportable rate was 0.34.

More detail is included in our Responsible business report on page 48.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group recognises the importance of identifying and managing financial and non-financial risks faced by the business. In response to this, it has developed a rigorous risk management framework designed to identify and assess the likelihood and consequences of risks and to manage the actions necessary to mitigate their impact. Our risk identification processes seek to identify risks from both a top-down strategic perspective and a bottom-up business perspective. The Board has overall responsibility for risk management, setting of risk appetite and implementation of the risk management policy. This is designed to enable our employees to take advantage of attractive opportunities, yet to do so within the risk appetite set by the Board.

The Group Risk Register is the core of the Group's risk management process. It contains an overall assessment of the risks faced by the Group together with the controls established to reduce those risks to an acceptable level and is maintained by the Group Risk Committee. The Group Risk Register is based on detailed risk registers maintained by Sunbelt in North America and the UK, which are reviewed and monitored through local risk committees. The operation and effectiveness of the local risk committees, which meet at least quarterly, continues to be enhanced. The Group Risk Committee meets as required, but at least twice a year, with the objective of encouraging best risk management practice across the Group and a culture of regulatory compliance and ethical behaviour. The Group Risk Committee reports annually through the Audit Committee to the Board and, as part of this process, produces an updated Group Risk Register. The Board assesses on a regular basis whether the appropriate risks have been identified, including any emerging risks which may impact the Group, and that adequate assurance is obtained over those risks.

In addition, consideration is given to ensure that risks have been appropriately assessed in relation to risk rating. Our risk appetite is reflected in our rating of risks and ensures the appropriate focus is placed on the correct risks. The Board takes a view of the prospects of the business through the cycle and, given the inherent cyclicality in the business, tends to operate with a low risk appetite. Further detail on our risk management framework and priorities during the year is provided on pages 48 to 50.

RISK MANAGEMENT FRAMEWORK

GROUP RISK COMMITTEE
- Reviews key and emerging risks on a regular basis with support from the businesses' risk committees which meet quarterly.
- Receives in-depth presentations from the businesses' risk committees on key matters.

RISK IDENTIFICATION	ASSESSMENT OF LIKELIHOOD AND IMPACT	RISK APPETITE DETERMINED	MITIGATING CONTROLS IMPLEMENTED
Assessed both on a top-down and bottom-up basis. Risks considered most material to the business. Consideration of emerging risks.	Financial, operational and regulatory impacts considered.	Risk appetite assessed for individual risks in accordance with our overall Group risk appetite.	Mitigating controls identified, implemented and monitored to ensure risk is reduced to an acceptable level.

AUDIT COMMITTEE
- Receives presentations from Group Risk Committee and the Group Risk Register on an annual basis.
- Assesses effectiveness of risk management process.

GROUP RISK REGISTER

Group Risk Register summarises work of Group Risk Committee, changes in risks identified and details by significant risk material controls and monitoring activities completed.

BOARD
- Overall responsibility for risk management framework and the definition of risk appetite.
- Undertakes Board monitoring of significant risks throughout the year.

RISK APPETITE DETERMINED

Risk appetite determined with reference to the Group's risk categories:

STRATEGIC | OPERATIONAL | FINANCIAL

PRINCIPAL RISKS

Set out below are the principal business risks that could impact the Group's business model, future performance, solvency or liquidity and information on how we mitigate them. Our risk profile evolves as we move through the economic cycle and commentary on how risks have changed is included below.

Change in risk in 2019/20

- ↑ Increased risk
- → Constant risk
- ↓ Decreased risk

↑ 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 economic uncertainties resulting from the impact of COVID-19 or other pandemics are considered as part of this risk, together with trade/tariff escalation and the impact of Brexit on the UK economy.

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

In recent years, our performance has benefitted from the economic cycle. In the current year, while we were anticipating a slowing of market growth, the impact of the COVID-19 pandemic has resulted in an immediate reduction in market activity and increased uncertainty. Nevertheless, our business planning is designed to ensure we maintain a strong balance sheet to not only weather unexpected shocks but also ensure we have firepower as markets recover to achieve the next 'step-change' in business performance.

Strategic priority

→ 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 have grown faster than our larger competitors and the market, and continue to take market share from our smaller, less well financed competitors. We have a 10% market share in the US, a 5% market share in Canada and 8% in the UK.

Strategic priority

→ 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 2.0 times excluding the impact of IFRS 16), net debt to EBITDA leverage which helps minimise our refinancing risk.
- Maintain long debt maturities.
- Use of an asset-based senior facility means none of our debt contains quarterly financial covenants when availability under the facility exceeds $460m.

Change

At 30 April 2020, our facilities were committed for an average of six years, leverage was at 1.9 times and availability under the senior debt facility, including cash on the balance sheet, was $2,363m.

Strategic priority

→ 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

We seek to improve continually our cyber-security policies and controls in place. We have made a significant investment to enhance further our cyber-security environment and profile this year and have a plan for the coming year.

In relation to business continuity, our plans have been subject to continued review and update during the year and our disaster recovery plans are tested regularly. Our broader business continuity plans have been tested extensively as a result of the COVID-19 pandemic and were proven robust and enabled the business to operate uninterrupted throughout.

Strategic priority

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. Further details are provided on page 45.

Change
The health and safety of our team members is our priority. We have introduced a new safety framework in North America, under the banner 'Engage for Life' and this will be extended to the UK during 2020/21.

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

In terms of reportable incidents, the RIDDOR reportable rate was 0.30 (2019: 0.34) in Sunbelt US, 0.34 (2019: 0.28) in Sunbelt Canada and 0.19 (2019: 0.22) in Sunbelt UK.

Strategic priority

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.

Employee turnover is most significant in the first 12-24 months of employment and so we have developed programmes to enhance both the recruitment and induction process.

We continue to invest in training and career development with over 350 courses offered across each business.

Strategic priority

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.

We are reviewing our ESG positioning and enhancing and formalising our strategy for the future.

In 2019/20 our carbon emission intensity ratio reduced to 20.3 (2019: 21.2) in the US, 12.5 (2019: 12.8) in Canada and 9.0 (2019: 9.4) in the UK. Further detail is provided on page 63.

Strategic priority

LAWS AND REGULATIONS

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

Mitigation
- Maintaining a legal function to oversee management of these risks and to achieve compliance with relevant legislation.
- Group-wide ethics policy and whistle-blowing arrangements.
- Evolving policies and practices to take account of changes in legal obligations.
- Training and induction programmes ensure our staff receive appropriate training and briefing on the relevant policies.

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

Our whistle-blowing arrangements are well established and the Company Secretary reports matters arising to the Audit Committee and the Board during the course of the year. Further details as to the Group's whistle-blowing arrangements are provided on page 74.

During the year over 2,100 people in Sunbelt US, 120 people in Canada and 365 people in Sunbelt UK underwent induction training and additional training programmes were undertaken in safety.

Strategic priority

EMERGING RISKS

In addition to the principal risks identified above, the Board considers what emerging risks may also impact the Group. In identifying emerging risks, the Board has considered both third-party risk analysis as well as internal views of emerging trends which may impact the business. As a result of this analysis, the Board specifically considered climate-related matters and emerging technologies, including battery-led technologies and autonomous machines.

ASSESSMENT OF PROSPECTS AND VIABILITY

The prospects of the Group are inherently linked to the environment in which we operate. While our principal market is construction, which is cyclical in nature, it represents less than 50% of our business. The balance is non-construction related activity, including, inter alia, industrial, events, maintenance and repair, emergency response and facilities management which, by their nature, are typically less cyclical.

Our markets in the US and Canada are undergoing structural change. Customers are increasingly choosing to rent equipment rather than own it and the fragmented markets are consolidating. The Group is well positioned to take advantage of these structural changes. The UK market is more mature and competitive than the US and Canada but Sunbelt UK is the largest rental company in that market and, with the Group's strong financial position, is well positioned to optimise market conditions.

Period of assessment

The Board discusses regularly the factors affecting the Group's prospects and the risks it faces in optimising the opportunity presented in its markets. The principal risks, which the Board concluded could affect the business are set out on the preceding pages. The Group's risks are ongoing in nature and therefore could crystallise at any time, rather than being linked to a specific timeframe. While the Board has no reason to believe the Group will not be viable over a longer period, the period over which the Board considers it possible to form a reasonable expectation as to the Group's longer-term viability, is the three-year period to 30 April 2023. This also aligns with the duration of the business plan prepared annually and reviewed by the Board. Furthermore, our committed borrowing facilities do not mature before the end of this period. Our senior credit facility, which matures in December 2023, was increased from \$4.1bn to \$4.6bn in April 2020, for a period of one year, to provide additional liquidity during the uncertainty arising as a result of the COVID-19 pandemic. We believe this provides a reasonable degree of confidence over this longer-term outlook.

Assessment of viability

The Group prepares an annual budget and three-year business plan. This plan considers the Group's cash flows and is used to review its funding arrangements and available liquidity based on expected market conditions, capital expenditure plans, used equipment values and other factors that might affect liquidity. It also considers the ability of the Group to raise finance and deploy capital.

The nature of the Group's business is such that its cash flows are countercyclical. In times of improving markets, the Group invests in its rental fleet, both to replace existing fleet and grow the overall size of the fleet, which results in improving earnings but low or potentially negative cash flow from operations in times of rapid growth. However, as the cycle matures and the rate of growth slows, the Group is able to fund rental fleet growth from cash flow, so generating strong cash flow from operations. In more benign or declining markets, the Group invests less in its rental fleet and, as a result, generates significant cash flow from operations.

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

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

Based on this analysis, and the Board's regular monitoring and review of risk management and internal control systems, we do not believe there are any reasonably foreseeable events that could not be mitigated through the Group's ability to flex its capital expenditure plans and cost base, which would result in the Group not being able to meet its liabilities as they fall due. The nature of the business's other principal risks is such that, while they could affect the Group's ability to achieve its objectives, they are unlikely to prevent the Group from meeting its liabilities as they fall due.

Viability statement

Based on the foregoing, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to April 2023.

STAKEHOLDER ENGAGEMENT

We engage actively with our stakeholders at all levels of our business, which we believe is critical to the success of the Group. At a board level, Board members are encouraged to engage with our stakeholders directly, for example through meeting with individual employees during site visits or through investor meetings, such as those to obtain remuneration policy feedback or through attendance at the Group's annual general meeting. In addition, the Board is advised of stakeholder views in a number of ways including through board reports and investor feedback reports from our brokers.

	EMPLOYEES	CUSTOMERS
Definition	› Existing and prospective employees, including apprentices	› National and other managed accounts › Small and mid-sized enterprises › Individuals
Nature of engagement	› Regular 'toolbox talks' and 'town hall' meetings › Employee surveys › National conferences and other employee events › Focus on safety, with dedicated safety weeks › Training programmes › Apprentice programmes › Employee relief programme › Further details are provided on pages 56 to 59	› Account managers for major customers › Customer feedback mechanism › Store-level staff with local customer relationships › Customer-centric technology to facilitate customer engagement › Customer-focused websites
Why relevant?	› Our employees want to work for a company that values them, provides ongoing development, treats them fairly and remunerates them appropriately › Investing in our people ensures we maintain our culture by having the right people and enables us to deliver on our strategic goals	› Our customers want to have confidence in the 'Availability, Reliability and Ease' of our offering as a reliable alternative to ownership
Our response to engagement	› Employee reward and benefit structure which recognises the contribution our employees make to the success of the business › Employee policies which ensure our people are treated fairly › Ensuring safety remains a cornerstone of our culture	› Continued investment in fleet › Investment in new market offerings to broaden our rental offering › Continued investment in customer-focused technology solutions
Relevant KPIs	› Employee survey scores › Safety metrics › Employee retention metrics	› Customer satisfaction scores › Level of repeat business › Customer spend › Debtor days

SUPPLIERS	COMMUNITIES	INVESTORS
› Major equipment suppliers › Other equipment suppliers › Service providers	› Local communities to our operations › Families of employees	› Shareholders (institutional) › Shareholders (private) › Financial lending institutions
› Dedicated account managers for major suppliers › Central procurement teams manage supplier relationships	› Nationwide programmes in addition to local community initiatives entered into by individual depots › Responding to community needs for emergency relief › Further details are provided on pages 60 and 61	› Investor conferences › One-to-one meetings › Annual Report and other communications › Results presentations and bondholder calls › Reporting to financial lending institutions › Annual General Meeting › Investor relations website
› Working with our suppliers in a collaborative manner ensures that we have access to equipment when we need it and enables us to deliver new innovation to the market	› We want to make a positive contribution to the communities in which we operate › Establishing the right relationships with our communities also helps us to attract the best talent into our business › Supporting the families of our staff is just the right thing to do	› Our investors want to understand how we are managing the business to generate sustainable returns through the cycle and to promote the long-term success of the Group
› Regular meetings with key suppliers to assist in management of production cycles › Policies in place in relation to working with our suppliers fairly › Clear procurement terms agreed	› Community-building activities, disaster response when required and financial support at time of crisis	› Communication of business model and strategic plan › Application of stated capital allocation priorities › Maintain compliance with stated financial objectives (e.g. leverage range, etc.) › Manage business through the cycle
› Payment practices statistics	› Charitable donations › Employee time contributed to community initiatives	› Returns to shareholders

FINANCIAL REVIEW

TRADING RESULTS[1]

	Revenue		EBITDA		Profit[3]	
	2020	2019	**2020**	2019	**2020**	2019
Sunbelt US in $m	**5,489.9**	4,988.9	**2,721.0**	2,453.5	**1,560.0**	1,545.0
Sunbelt Canada in C$m	**420.7**	344.0	**157.0**	124.1	**54.5**	54.8
Sunbelt US in £m	**4,335.7**	3,824.3	**2,149.0**	1,880.9	**1,232.1**	1,184.3
Sunbelt UK[2]	**469.2**	475.1	**148.6**	168.4	**36.4**	62.3
Sunbelt Canada in £m	**248.7**	200.2	**92.8**	72.2	**32.2**	31.9
Group central costs	**–**	–	**(14.6)**	(14.9)	**(15.4)**	(14.9)
	5,053.6	4,499.6	**2,375.8**	2,106.6	**1,285.3**	1,263.6
Net financing costs					**(224.5)**	(153.4)
Profit before amortisation, exceptional items and tax					**1,060.8**	1,110.2
Amortisation					**(61.7)**	(50.7)
Exceptional items					**(16.3)**	–
Profit before taxation					**982.8**	1,059.5
Taxation					**(243.1)**	(262.6)
Profit attributable to equity holders of the Company					**739.7**	796.9
Margins						
Sunbelt US			**49.6%**	49.2%	**28.4%**	31.0%
Sunbelt UK			**31.7%**	35.5%	**7.8%**	13.1%
Sunbelt Canada			**37.3%**	36.1%	**13.0%**	15.9%
Group			**47.0%**	46.8%	**25.4%**	28.1%

1 Throughout the Financial review, we use a number of alternative financial 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. Further details are provided in the Glossary on page 153.
2 The UK business was rebranded Sunbelt Rentals UK with effect from 1 June 2020.
3 Segment result presented is operating profit before amortisation.

The Group adopted IFRS 16, Leases ('IFRS 16') on 1 May 2019. The Group elected to apply IFRS 16 using the modified retrospective approach with no restatement of comparative figures. As a result, the results for the year are not comparable directly to the prior year with the adoption of IFRS 16 resulting in higher EBITDA and operating profit but lower profit before amortisation, exceptional items and tax than under the previous accounting standard. Our comments below are on both the reported figures and those excluding the impact of IFRS 16 to aid comparability. Margins excluding the impact of IFRS 16 are summarised below. Further details on the adoption and impact of IFRS 16 are provided in Note 17 to the financial statements.

Margins excluding the impact of IFRS 16	**2020**	2019	**2020**	2019
Sunbelt US	**47.6%**	49.2%	**28.1%**	31.0%
Sunbelt UK	**29.8%**	35.5%	**7.6%**	13.1%
Sunbelt Canada	**33.6%**	36.1%	**12.5%**	15.9%
Group	**44.9%**	46.8%	**25.1%**	28.1%

Group revenue for the year increased 12% (9% at constant exchange rates) to £5,054m (2019: £4,500m) with good growth in the US and Canadian markets. This industry-leading performance includes a fourth quarter impacted by COVID-19, resulting in fourth quarter revenue only 2% higher (2% lower on a constant currency basis) than the prior year. This sudden fall in activity levels had a significant impact on profit in the quarter as a large proportion of our costs are fixed in the short term. As a result, underlying profit before tax for the year was £1,061m (2019: £1,110m) or £1,091m excluding the impact of IFRS 16.

Although COVID-19 has influenced the Group's short-term planning and actions, our strategy remains unchanged with long-term growth being driven by organic investment (same-store and greenfield) supplemented by bolt-on acquisitions. In the US and Canada, we experienced 10% and 30% rental only revenue growth respectively, while in the UK, rental only revenue decreased 2% reflecting the more competitive landscape within a more uncertain UK market and a period of realignment for the UK business. The growth in Canada continues to reflect the impact of recent acquisitions, including William F. White acquired in December 2019.

US revenue growth continued to benefit from cyclical and structural trends during the year and can be explained in Table 01 opposite.

US revenue growth demonstrates the successful execution of our long-term structural growth strategy. This growth has been achieved against a back-drop of a construction industry, just less than half of our end markets, which did not grow in 2019. In this market environment, we continued to capitalise on the market opportunity through a combination of organic growth (same-store growth and greenfields) and bolt-ons as we expand our geographic footprint and our specialty

01 US REVENUE GROWTH

		$m
2019 rental only revenue		3,711
Organic (same-stores and greenfields)	6%	197
Bolt-ons since 1 May 2018	4%	157
2020 rental only revenue	10%	4,065
Ancillary revenue	6%	981
2020 rental revenue	9%	5,046
Sales revenue	26%	444
2020 total revenue	10%	5,490

businesses. We added 85 new stores in the US in the year, almost half of which were specialty locations.

Rental only revenue growth was 10%, driven by increased fleet on rent. This is a good performance after the last two years, which were impacted favourably by significant hurricane activity, whereas the 2019 hurricane season was much quieter and a fourth quarter adversely affected by the impact of COVID-19. US total revenue, including new and used equipment, merchandise and consumable sales, increased 10% to $5,490m (2019: $4,989m).

The UK business, which was rebranded Sunbelt Rentals UK with effect from 1 June 2020, generated rental only revenue of £349m, down 2% on the prior year (2019: £357m), resulting from a 2% reduction in fleet on rent. The rate environment in the UK market remained competitive throughout the year. Total revenue decreased 1% to £469m (2019: £475m).

Canada's rental only revenue increased 30%, including the benefit of recent acquisitions. On an organic basis, rental only revenue increased 8%. Total revenue was C$421m (2019: C$344m).

In the US, while our growth continues to outpace the market, the relatively lower rate of growth compared with recent years has put some pressure on drop-through, both in some of our mature stores and from the drag effect of greenfield openings and acquired stores. This was compounded in the fourth quarter by the impact of COVID-19, with a significant proportion of the revenue decline falling through to EBITDA. As a result, for the year, excluding the impact of IFRS 16, 35% of revenue growth dropped through to EBITDA. This contributed to a reported EBITDA margin of 50% (2019: 49%) and a 1% increase in operating profit to $1,560m (2019: $1,545m) at a margin of 28% (2019: 31%). Excluding the impact of IFRS 16, the EBITDA and operating profit margins were 48% and 28% respectively for the year.

The UK market remains competitive and after a period of sustained growth for the business, the focus had turned to operational efficiency and improving returns. The EBITDA margin of 32% (2019: 35%) reflects the drag effect of the increased fleet disposals, the challenging rate environment, investment in the infrastructure of the business and, recently, the impact of COVID-19. Excluding the impact of the de-fleet exercise and the adoption of IFRS 16, the UK generated an EBITDA margin of 32% (2019: 35%). Operating profit of £36m (2019: £62m) at a margin of 8% (2019: 13%) also reflected these factors.

Canada is in a growth phase as it invests to expand its network and develop the business. Significant growth in the business has been achieved while delivering a COVID-19 impacted 37% EBITDA margin (2019: 36%) and generating an operating profit of C$54m (2019: C$55m) at a margin of 13% (2019: 16%). Excluding the impact of IFRS 16, the EBITDA and operating profit margins were 34% and 12%, respectively.

Reflecting the performance of the divisions, Group underlying operating profit increased to £1,285m (2019: £1,264m), down 1% at constant exchange rates. Net financing costs increased to £224m (2019: £153m) reflecting the impact of the adoption of IFRS 16, which resulted in an incremental interest charge of £45m in the year, and higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £1,061m (2019: £1,110m). Excluding the impact of IFRS 16, Group profit before exceptional items, amortisation of intangibles and taxation was £1,091m.

Statutory profit before tax was £983m (2019: £1,059m). This is after amortisation of £62m (2019: £51m) and, in the current year, an exceptional charge of £16m ($21m). The exceptional charge relates to financing costs associated with the redemption of our $500m 5.625% senior notes in November 2019.

Taxation

Tax charge for the year

The underlying tax charge for the year was £262m (2019: £275m), representing an effective rate of 25% (2019: 25%) of underlying pre-tax profit of £1,061m (2019: £1,110m). The cash tax charge was 9%.

The exceptional tax credit of £19m (2019: £12m) relates to a tax credit in relation to the amortisation of intangibles and exceptional items.

Tax strategy and governance

The Group believes it has a corporate responsibility to act with integrity in all tax matters. It is the Group's policy to comply with all relevant tax laws, regulations and obligations including claiming available tax incentives and exemptions in the countries in which it operates. The Group's appetite for tax risk is considered to be cautious and this policy has remained unchanged for a number of years. This approach to taxation is reviewed and approved by the Board on a periodic basis.

Whilst the Board retains ultimate responsibility for the tax affairs of the Group, we have a dedicated internal tax function which takes day-to-day responsibility for the Group's tax affairs. In addition, we seek regular professional advice to ensure that we remain in compliance with changes in tax legislation, disclosure requirements and best practice.

Tax risks are monitored on an ongoing basis and tax matters are reported to the Audit Committee as part of our routine reporting on a quarterly basis.

The Group is committed in having a transparent and constructive working relationship with the tax authorities including using tax clearances to obtain agreement in advance from tax authorities prior to undertaking transactions.

Legislative changes

We continue to monitor developments in the OECD's work on Base Erosion and Profit Shifting ('BEPS') to ensure continued compliance in an ever-changing environment. While we do not expect our tax arrangements to be materially impacted by any legislative changes arising from the BEPS recommendations, we continue to follow the developments closely.

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

Earnings per share

Underlying earnings per share was 175.0p (2019: 174.2p) while basic earnings per share decreased to 162.1p (2019: 166.1p). Details of these calculations are included in Note 9 to the financial statements.

Return on Investment

The Group's return on investment metrics have been impacted by the sudden decline in activity levels in the fourth quarter as a result of COVID-19. This has led to return on investment (excluding goodwill and intangible assets) in the US in the 12 months to 30 April 2020 of 21% (2019: 24%). In the UK, return on investment (excluding goodwill and intangible assets) was 5% (2019: 9%). This decline also reflects the competitive nature of the UK market and the rate environment throughout the year. As a result of the action taking during the year through Project Unify and the strategic plans for the business, we expect returns to improve post COVID-19. In Canada, return on investment (excluding goodwill and intangible assets) was 9% (2019: 12%). We have made a significant investment in Canada including the recent acquisition of William F. White 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 15% (2019: 18%). For comparability, return on investment excludes the impact of IFRS 16.

BALANCE SHEET

Fixed assets

Capital expenditure in the year totalled £1,483m (2019: £1,587m) with £1,274m invested in the rental fleet (2019: £1,417m). Expenditure on rental equipment was 86% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division is shown in Table 02 below.

In the US, $740m of rental equipment capital expenditure was spent on growth while $712m 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 2020 was 36 months (2019: 34 months) on a net book value basis. The US fleet had an average age of 36 months (2019: 33 months), the UK fleet had an average age of 43 months (2019: 38 months) and Canada's fleet had an average age of 33 months (2019: 30 months).

Our operating model, and short delivery lead times, allow us to flex our capital spend quickly and in response to the change in the economic environment as a result of the impact of COVID-19, we reassessed our capital expenditure plans for 2020/21. As a result, we expect gross capital expenditure to be c. £500m but have the ability to flex this subject to market conditions.

The original cost of the Group's rental fleet and dollar utilisation for the year ended 30 April 2020 are shown in Table 03 below.

Dollar utilisation was 51% in the US (2019: 55%), 46% for the UK (2019: 47%) and 47% for Canada (2019: 49%). US dollar utilisation was impacted favourably last year by hurricane activity and adversely this year due to slightly lower physical fleet utilisation earlier in the year and, more recently, by the COVID-19 pandemic. The pandemic had a similar impact on the UK and Canada.

Trade receivables

Receivable days at 30 April 2020 were 49 days (2019: 51 days). The bad debt charge for the last 12 months ended 30 April 2020 as a percentage of total turnover was 1.2% (2019: 0.6%). This increase over the prior year reflects an additional charge taken for potentially irrecoverable receivables as a result of the impact of COVID-19. Trade receivables at 30 April 2020 of £776m (2019: £756m) are stated net of allowances for bad debts and credit notes of £100m (2019: £53m) with the increased allowance representing 13% (2019: 7%) of gross receivables as a result of COVID-19.

02 CAPITAL EXPENDITURE

	Replacement	Growth	2020 Total	2019 Total
Sunbelt US in $m	**711.8**	**740.1**	**1,451.9**	1,607.4
Sunbelt Canada in C$m	**73.5**	**42.9**	**116.4**	155.7
Sunbelt US in £m	**564.3**	**586.8**	**1,151.1**	1,233.1
Sunbelt UK	**56.7**	**–**	**56.7**	94.9
Sunbelt Canada in £m	**42.0**	**24.5**	**66.5**	88.8
Total rental equipment	**663.0**	**611.3**	**1,274.3**	1,416.8
Delivery vehicles, property improvements and IT equipment			**208.7**	170.4
Total additions			**1,483.0**	1,587.2

03 FLEET AND UTILISATION

	Rental fleet at original cost				
	30 April 2020	30 April 2019	LTM average	LTM rental revenue	LTM dollar utilisation
Sunbelt US in $m	**10,102**	9,125	9,817	5,046	51%
Sunbelt Canada in C$m	**921**	660	776	361	47%
Sunbelt US in £m	**8,010**	6,999	7,753	3,985	51%
Sunbelt UK	**874**	907	885	408	46%
Sunbelt Canada in £m	**526**	376	459	213	47%
	9,410	8,282	9,097	4,606	

Trade and other payables

Group payable days were 55 days in 2020 (2019: 55 days) with capital expenditure related payables totalling £106m (2019: £196m). Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

Provisions

Provisions of £93m (2019: £88m) relate to the provision for insured risk as well as acquisition related contingent consideration. The Group's business exposes it to the risk of claims for personal injury, death or property damage resulting from the use of the equipment it rents and from injuries caused in motor vehicle accidents in which its vehicles are involved. The Group carries insurance covering a wide range of potential claims at levels it believes are sufficient to cover existing and future claims.

Our US liability insurance programmes provide that we can recover our liability related to each and every valid claim in excess of an agreed excess amount of $1.5m in relation to general liability, workers' compensation and motor vehicle claims. In the UK our self-insured excess per claim is much lower than in the US and is typically £50,000 per claim. Our liability insurance coverage is limited to a maximum of £175m.

Pensions

The Group operates a number of pension plans for the benefit of employees, for which the overall charge included in the financial statements was £20m (2019: £16m). Amongst these, the Group has one defined benefit pension plan which covers less than 70 remaining active employees in the UK and which was closed to new members in 2001. All our other pension plans are defined contribution plans.

The Group's defined benefit pension plan, measured in accordance with the accounting standard IAS 19, Employee Benefits, was £12m in deficit at 30 April 2020 (2019: £1m in deficit). The investment return on plan assets was £9m lower than the expected return and an actuarial loss of £5m arose, predominantly arising due to a lower discount rate applied. Overall, there was a net actuarial loss of £11m which was recognised in the statement of comprehensive income for the year.

The next triennial review of the plan's funding position by the trustees and the actuary is due as at 30 April 2022. The April 2019 valuation, which was completed during the year, showed a surplus of £1.5m.

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.

As discussed earlier, if the findings of the European Commission's investigations into the Group Financing Exemption in the UK controlled foreign company legislation are upheld, we have estimated the Group's potential liability to be £36m. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

CASH FLOW

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 19% to £2,430m. The cash conversion ratio for the year was 102% (2019: 97%).

Total payments for capital expenditure (rental equipment and other PPE) during the year were £1,574m (2019: £1,672m). Disposal proceeds received totalled £259m (2019: £192m), giving net payments for capital expenditure of £1,315m in the period (2019: £1,480m). Financing costs paid totalled £197m (2019: £143m) while tax payments were £113m (2019: £51m). 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.

Accordingly, the Group generated £1,520m (2019: £1,399m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of the rental fleet and on acquisitions. After growth capital expenditure and exceptional costs,

04 CASH FLOW

	Year to 30 April 2020 £m	2019 £m
EBITDA before exceptional items	**2,375.8**	2,106.6
Cash inflow from operations before exceptional items and changes in rental equipment	**2,430.4**	2,042.5
Cash conversion ratio*	**102.3%**	97.0%
Replacement rental capital expenditure	**(650.2)**	(472.9)
Payments for non-rental capital expenditure	**(208.2)**	(168.7)
Rental equipment disposal proceeds	**246.6**	181.6
Other property, plant and equipment disposal proceeds	**12.0**	10.2
Tax (net)	**(113.2)**	(51.0)
Financing costs	**(196.9)**	(142.9)
Cash inflow before growth capex and payment of exceptional costs	**1,520.5**	1,398.8
Growth rental capital expenditure	**(716.0)**	(1,030.6)
Exceptional costs	**(12.4)**	–
Free cash flow	**792.1**	368.2
Business acquisitions	**(453.1)**	(591.3)
Total cash (absorbed)/generated	**339.0**	(223.1)
Dividends	**(186.7)**	(164.2)
Purchase of own shares by the Company	**(448.6)**	(460.4)
Purchase of own shares by the ESOT	**(17.6)**	(14.2)
Increase in net debt due to cash flow	**(313.9)**	(861.9)

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

there was a free cash inflow of £792m (2019: £368m) and, after acquisition expenditure of £453m (2019: £591m), a net cash inflow of £339m (2019: outflow of £223m), before returns to shareholders. Excluding the impact of IFRS 16, there was a free cash inflow of £725m (2019: £368m) and a net cash inflow of £272m (2019: £223m), before returns to shareholders.

CAPITAL STRUCTURE AND ALLOCATION

The Group's capital structure is kept under regular review. Our operations are financed by a combination of debt and equity. We seek to minimise the cost of capital while recognising the constraints of the debt and equity markets. At 30 April 2020 our average cost of capital was approximately 11%.

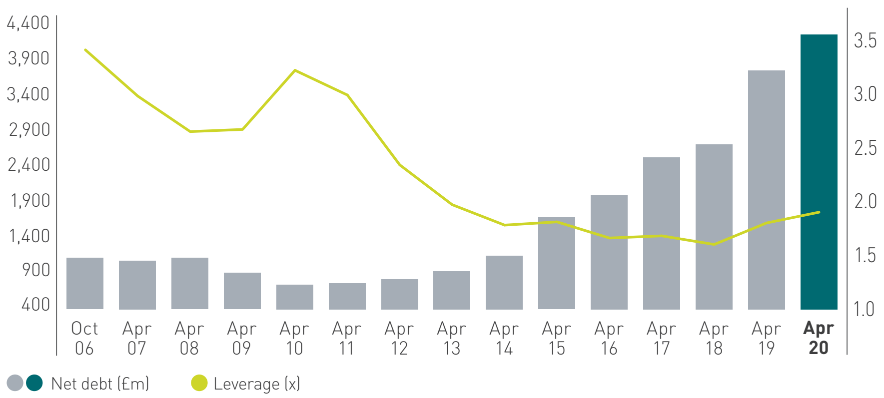
The Group remains disciplined in its approach to allocation of capital with the overriding objective being to enhance shareholder value. Our capital allocation framework remains unchanged and prioritises:

- 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 1.9 to 2.4 times target range for net debt to EBITDA (1.5 to 2.0 times pre IFRS 16).

The Group paused its share buyback programme in March as we took action to optimise our cash flow and strengthen further our liquidity position due to the uncertainty arising from the COVID-19 pandemic. We will assess when it is appropriate to resume this programme in the context of all our capital allocation priorities and leverage.

05 NET DEBT AND LEVERAGE



In greater detail, closing net debt at 30 April 2020 comprised:

06 NET DEBT

	2020 £m	2019 £m
First priority senior secured bank debt	**2,141.9**	2,010.7
5.625% senior notes, due 2024	**–**	379.3
4.125% senior notes, due 2025	**470.8**	454.7
5.250% senior notes, due 2026	**469.6**	453.6
4.375% senior notes, due 2027	**470.2**	454.4
4.000% senior notes, due 2028	**469.9**	–
4.250% senior notes, due 2029	**469.8**	–
Total external borrowings	**4,492.2**	3,752.7
Lease liabilities	**1,112.2**	5.0
	5,604.4	3,757.7
Cash and cash equivalents	**(241.4)**	(12.8)
Total net debt	**5,363.0**	3,744.9

Dividends

We have a progressive dividend policy such that, with consideration to both profitability and cash generation, the dividend is at a level that is sustainable across the cycle. Our intention has always been to increase the dividend as profits increase and be able to maintain it when profits decline. The Board considered carefully this year's final dividend, given the unprecedented circumstances, taking into account the Group's prospects and financial position; stakeholder interests including team members, customers, communities and shareholders; and the decision not to access government assistance programmes. Taking these considerations into account, the Board has decided to maintain its progressive dividend policy. Accordingly, in a year of slightly lower profit but strong cash generation and a strong balance sheet, the Board is recommending a final dividend of 33.5p per share (2019: 33.5p) making 40.65p for the year (2019: 40.0p). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 11 September 2020 to shareholders on the register on 14 August 2020.

In determining the level of dividend in any year, the Board considers a number of factors that influence the proposed dividend as detailed above. Ashtead Group plc, the parent company of the Group, is a non-trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies which are planned on a regular basis to maintain a suitable level of distributable reserves at the parent company.

Net debt

Chart 05 shows how, measured at constant April 2020 exchange rates for comparability, our net debt and leverage has changed over the cycle. From a prior cycle peak in 2008, we reduced our debt significantly, paying-off around one-third of it as we lowered our capital expenditure, taking advantage of our young average fleet age, and generated significant cash flow. Since 2010, we have stepped up our capital expenditure as rental markets improved. As a result, net debt has increased in absolute terms over the period principally due to acquisitions, dividends and share buybacks with free cash flow being broadly sufficient to fund substantially all the increased capital expenditure. Since 2013 we have been operating within our net debt to EBITDA leverage target range of 1.5 to 2 times (excluding IFRS 16). Furthermore, our overall balance sheet strength continues to improve with the second-hand value of our fleet exceeding our total debt by £1.5bn.

07 MINIMUM CONTRACTED DEBT COMMITMENTS

	Payments due by year ending 30 April						
	2021 £m	2022 £m	2023 £m	2024 £m	2025 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	2,141.9	–	–	2,141.9
4.125% senior notes	–	–	–	–	–	475.7	475.7
5.250% senior notes	–	–	–	–	–	475.7	475.7
4.375% senior notes	–	–	–	–	–	475.7	475.7
4.000% senior notes	–	–	–	–	–	475.7	475.7
4.250% senior notes	–	–	–	–	–	475.7	475.7
	–	–	–	2,141.9	–	2,378.5	4,520.4
Deferred costs of raising finance	–	–	–	–	–	(28.2)	(28.2)
Cash at bank and in hand	(241.4)	–	–	–	–	–	(241.4)
Net debt	(241.4)	–	–	2,141.9	–	2,350.3	4,250.8

The Group has arranged its financing such that, at 30 April 2020, 92% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense.

Net debt at 30 April 2020 was £5,363m with the increase since 30 April 2019 reflecting the adoption of IFRS 16, the net cash outflow set out above and weaker sterling (£133m). The Group's EBITDA for the year ended 30 April 2020 was £2,376m. Including the impact of IFRS 16, the ratio of net debt to EBITDA was 2.3 times at 30 April 2020. Excluding the impact of IFRS 16, the ratio of net debt to EBITDA was 1.9 times (2019: 1.8 times) on a constant currency and a reported basis as at 30 April 2020.

Our debt package is well structured for our business across the economic cycle. We retain substantial headroom on facilities which are committed for the long term, with an average of six years remaining at 30 April 2020. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is less than 4%.

Debt facilities

The Group's principal debt facilities are discussed below.

First priority senior secured credit facility

At 30 April 2020, $4.6bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility'), with $4.1bn committed until December 2023 and $500m committed until April 2021. The amount utilised was $2,759m (including letters of credit totalling $52m). The ABL facility is secured by way of fixed and floating charges over substantially all of the Group's property, plant and equipment, inventory and trade receivables.

Pricing for the $4.6bn revolving credit facility is based on leverage and average availability according to a grid. On $4.1bn of the facility, this varies from LIBOR plus 125bp to LIBOR plus 175bp and at 30 April 2020, the borrowing rate was LIBOR plus 150bp. For the other $500m of the facility, pricing is LIBOR plus 225bp, with a LIBOR floor of 75bp.

The only financial performance covenant under the asset-based senior bank facility is a fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last 12 months) which must be equal to or greater than 1.0 times.

This covenant does not, however, apply when availability (the difference between the borrowing base and facility utilisation) exceeds $460m. At 30 April 2020 availability under the bank facility, including cash on the balance sheet, was $2,363m ($1,622m at 30 April 2019), with an additional $2,147m of suppressed availability meaning that the covenant was not measured at 30 April 2020 and is unlikely to be measured in forthcoming quarters.

Senior notes

At 30 April 2020 the Group, through its wholly owned subsidiary Ashtead Capital, Inc., had five series of senior notes outstanding each with a nominal value of $600m. The notes are 4.125% notes due on 15 August 2025, 5.250% notes due on 1 August 2026, 4.375% notes due on 15 August 2027, 4.000% notes due on 1 May 2028 and 4.250% notes due on 1 November 2029. Following the redemption of the $500m 5.625% notes due in 2024, the second priority fixed and floating charges over the Group's property, plant and equipment, inventory and trade receivables securing the senior notes were released and the senior notes are no longer secured by these assets. The senior notes continue to be guaranteed by Ashtead Group plc and all its principal subsidiary undertakings.

Under the terms of the notes the Group is, subject to important exceptions, restricted in its ability to incur additional debt and merge or consolidate with another company. Financial performance covenants under the senior notes are only measured at the time new debt is raised.

Minimum contracted debt commitments

Table 07 above summarises the maturity of the Group's borrowings at 30 April 2020 by year of expiry.

Except for the Group's lease commitments, details of which are provided in Note 17 to the financial statements, £41m ($52m) of standby letters of credit issued at 30 April 2020 under the first priority senior debt facility relating to the Group's insurance programmes and £2m of performance bonds granted by Sunbelt, we have no material commitments that we could be obligated to pay in the future which are not included in the Group's consolidated balance sheet.

CURRENT TRADING AND OUTLOOK

Looking forward, the Board is certain these swift actions combined with the strength of our cash flow and balance sheet will serve the Group well. The diversity of our products, services and end markets coupled with ongoing structural change opportunities put the Board in a position of confidence to look to the coming year as one of strong cash generation and strengthening our market position.

RESPONSIBLE BUSINESS REPORT

At the heart of our business and culture is responsibility, to our staff and their families, to our customers, our communities and ultimately to our investors. This has never been more important than now, as we support our colleagues, communities and customers across all our territories during the COVID-19 pandemic. However, this is just an extreme example of how we normally do business every day of the week.

Our operational purpose of delivering Availability, Reliability and Ease is backed up by taking responsibility in everything we do. Being responsible helps deliver the trust that makes our business function – trust that the equipment we provide will arrive on time, trust that it will do what we say it will, trust that it will be well maintained to make sure it works and trust that it is compliant with all health and safety requirements.

We take great pride in always seeking to have a positive impact on our local communities and the environments in which we work. Being active, engaged members of the communities where we operate is enormously important to our staff. Our customers trust us to provide better service than our competitors. Our employees trust us to help keep them safe, reward them well for their efforts and look after them in the most difficult of circumstances. Investors trust us to deliver good returns throughout the economic cycle, in good times and bad.

Being responsible means many things to many people. However, what is most important to us is the health and safety of our team members and customers, the development of our people, our impact in the communities we serve, minimising our impact on the environment, ensuring that we behave ethically at all times and being cognisant of emerging risks and opportunities for the business. We discuss each of these aspects of our business in detail, assessing why each matters, how we have performed and our objectives. The world is changing and the impact of climate change and other unprecedented events such as the COVID-19 pandemic, require attention and action. Ashtead has a good story to tell on ESG (environmental, social and governance) with rental being positive for the environment as it leads to the more efficient use of equipment and the manufacture of fewer assets. Significant carbon emissions and consumption of earth's natural resources take place during the manufacture of a piece of equipment. At the end of its life, that equipment requires disposal. Fewer, better designed pieces of equipment utilised as part of a sharing economy are better for our planet. We have spent time this year reviewing our ESG positioning and enhancing and formalising our strategy. In the coming year we will work on the expansion of our ESG reporting, recognising the recommendations of the Task Force on Climate-Related Financial Disclosures ('TCFD') and the priorities of the UN's Sustainable Development Goals.

BEING RESPONSIBLE IS FUNDAMENTAL TO OUR BUSINESS AND CULTURE

WHAT IS MATERIAL TO US	WHAT WE INCLUDE
Health and safety Without a good reputation for health and safety our business wouldn't exist. → Page 50	We report on why health and safety is crucial to our success, how we monitor performance, safety initiatives and training, health programmes and our COVID-19 response.
Our people Our people are the key ingredient that makes our business possible. → Page 56	We report on how we recruit, train, develop, retain and reward the very best people, and ensure a diverse, equal opportunities workforce.
Our communities Our communities are an extension of our people and their families. We strive to always have a positive impact. → Page 60	We report on how we contribute to our communities through job creation, community initiatives and investment, and emergency response.
The environment As we grow, so also does our impact on the environment and we want to limit any negative effects as much as possible. → Page 62	We report on how we use resources efficiently, control of hazardous substances, reduction of waste, our greener fleet and our GHG emissions.
Business ethics We want to be sure we comply with regulations, but most importantly, just do the right thing. → Page 64	We report on maintaining regulatory compliance, our anti-corruption and bribery efforts, our modern slavery and human trafficking policy, training and supply chain sustainability and diversity.
Looking to the future We look ahead to evaluate future issues so we ensure we can remain a responsible business. → Page 64	We report on how we are evaluating the potential risks and opportunities of climate change, emerging technology and innovation, and potential cyber-security issues.

MONITORING OUR WORK

Monitoring how responsible we are rests with the Group's Board of directors. The Board is assisted in this function by the Group Risk Committee which is chaired by Michael Pratt, our finance director. Other members of the Committee are:

- in relation to North America, the finance director, the head of central operations, the Sunbelt North American board member to whom the risk team reports, the head of safety, health and environment and one of the operational executive vice presidents;
- in relation to the UK, the head of risk management, who has responsibility for the environmental and health and safety team; and
- UK and US counsel.

The Group Risk Committee provides the Audit Committee, and through them the Board, with a comprehensive annual report on its activities including new legislative requirements, details of areas identified in the year as requiring improvement, and the status of actions being taken to make those improvements. It also facilitates the coordination of the environmental, health, safety and risk management activities in the US, Canada and the UK so that best practice and new initiatives in one business can be shared with, and adopted by, the other.

The Group Risk Committee priorities this year included:

- new people-related initiatives including recruitment, training and development;
- assessment of the Group Risk Register, including identification and prioritisation of business risks;
- health and safety, together with continuous improvement through training and awareness;
- driver safety, training and compliance;
- monitoring of compliance with General Data Protection Regulation requirements;
- performance standards audits; and
- maintaining ISO certifications.

Next financial year we plan to:

- continue our safety initiatives, focused on serious injury and fatality protocols and driver programmes;
- continue the development of our updated business continuity plans;
- develop a performance management process to replace the existing review system; and
- further review climate-related risks and opportunities.

HEALTH AND SAFETY

HEALTH AND SAFETY IS AT THE FOREFRONT OF EVERYTHING WE DO

Why it matters

Health and safety is fundamental to our culture and it is at the forefront of everything we do. That has been shown dramatically most recently with our COVID-19 response.

A strong reputation for excellent health and safety is a significant competitive advantage for us. In addition, an ever-changing regulatory focus on safety and more stringent requirements for all operators continues to assist our growth. It is easier and cheaper to outsource responsibility for equipment safety to us than for customers to worry about it themselves. This has been an important factor in the shift to rental that has underpinned our growth in the US and reinforces our position in the UK. Similarly, it is a key differentiator in the Canadian market as we increase our presence there.

Our extensive health and safety programmes monitor, develop and maintain safe working practices while reminding our employees of the need to be safe at all times and look after their own health. Our continued improvement is accomplished through a combination of proactive safety and leadership training, enhanced safety programmes and timely incident response and investigation. We also help our customers ensure the safety of their own employees including providing safety training as required. In addition, we make a considerable annual investment in ensuring our rental equipment meets or exceeds the latest safety standards, as well as providing health and safety advice and materials along with each rental.

How we monitor performance

We monitor health and safety by the number of reported incidents that occur during our work. We track and analyse all incidents to enable us to identify recurrent issues and implement preventative improvements.

The importance of health and safety is reflected in the fact that the number of reportable accidents is one of our group-wide KPIs (see page 34).

We continue to develop and improve our incident management system which enables us to manage incidents while allowing us to investigate, analyse root causes and track corrective/preventative actions. This year the US had 1,585 reported incidents relative to an average workforce of 13,946 (2019: 1,520 incidents relative to an average workforce of 12,148), Canada had 190 incidents relative to an average workforce of 1,219 (2019: 170 incidents relative to an average workforce of 880) and the UK had 225 incidents relative to an average workforce of 3,814 (2019: 261 incidents relative to an average workforce of 3,771). For the purposes of our internal tracking, the term incident does not necessarily mean that an employee was hurt or injured. Rather it represents an event that we want to track and report for monitoring and learning purposes under our health and safety management policies.

We continue to focus on timelier reporting of every incident or first aid event that occurs.

Reportable accidents continue to be defined differently in the US, Canada and the UK. Under the different definitions which generally result in more accidents in the US being reportable than in the UK, the US had 211 OSHA (Occupational Safety and Health Administration) recordable accidents (2019: 230 accidents) which, relative to total employee hours worked, gave a Total Incident Rate of 1.10 (2019: 1.31). Canada had 25 OSHA recordable accidents (2019: 35 accidents) which, relative to total employee hours worked, gave a Total Incident Rate of 2.15 (2019: 3.30). In the UK, Sunbelt UK had 15 RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) (2019: 17), reportable incidents which, relative to total employee hours worked, gave a RIDDOR reportable rate of 0.19 (2019: 0.22). In order to compare accident rates across the Group, the US and Canada also applied the RIDDOR definition to its accident population which gave a figure this year of 115 RIDDOR reportable accidents in the US and a RIDDOR reportable rate of 0.30 and eight RIDDOR reportable accidents in Canada and a RIDDOR reportable rate of 0.34. We remain committed to continuing to reduce these rates as much as possible.

"Our incident management system allows us to analyse root causes and track corrective and preventative actions.

NEW TEAMMATE ONBOARDING PROGRAMME

We want to make it happen for our customers through every interaction. In order for that to happen, we need an engaged team that delivers exceptional service and solutions every day.

A new teammate onboarding programme was introduced in the US during the year. The goal of the Equip for Success onboarding programme is to equip new teammates with the knowledge and skills they need to safely and effectively contribute to our purpose. Regardless of previous experience, new teammates will not be familiar with all the equipment we offer nor how our branches operate.

So, we are leveraging the peer and manager teaching that happens at our branches and providing tools to make sure each new team member knows what their role is, how to work, and where to go for help when needed.

During this 180-day job-based onboarding programme, we teach new employees through guided on-the-job experience, online coursework and regular discussions with managers. Google Chromebooks were also placed at each of our branches to facilitate a consistent, reliable training experience with Sunbelt University for all teammates, starting with those being onboarded. Managers are also provided with guidance and materials to help them learn how to successfully onboard new teammates.

Safety initiatives

The COVID-19 pandemic has tested our health and safety reputation like nothing before. We immediately put in place emergency response procedures and are taking precautionary measures to protect our team members, customers and communities from exposure to the virus. These measures have included:

- implementing equipment and facility cleaning guidelines;
- educating our team members on social distancing at all our stores and in the field;
- moving rental contracts to non-touch digital signatures;
- advising our sales teams to support our customers by phone, video calls, and other digital channels when appropriate;
- pausing classroom-based instructor-led training in lieu of digital training courses;
- restricting business travel and meetings;
- strategically limiting visits to our facilities from vendors and suppliers; and
- implementing curb-side pick-up and drop-off of equipment where possible.

In the absence of travel and face-to-face meetings, we have introduced virtual Wellness visits to discuss local matters, training and the response to COVID-19.

We recognise that everyone must take responsibility for their own safety and the safety of others. In North America we launched our new Engage for Life programme as part of our annual Safety Week. This is about putting safety at the forefront of everything we do.

ENGAGE FOR LIFE

The Engage for Life programme is built on three pillars: culture, community and commitment. We are focused on building a culture that eliminates serious injuries or fatalities ('SIFs'), aligns our best practices, and ensures we all have the right skills to complete work safely. This will be launched in the UK in 2020/21.

We have core safety processes across all our stores. In North America these include:

- the near miss programme, which provides insights into our exposures across our businesses;
- the pre-task planning programme (Take 10 Programme), which requires everyone to take at least 10 seconds to think through the job they are about to do using a pre-task planning checklist. Examples of tasks/jobs where this is applied are loading/unloading, wash bay work, checking equipment in, and technicians repairing or conducting routine maintenance on the equipment;
- the Safety Committee engagement programme, which ensures all stores hold safety meetings and engage in topics such as near miss reporting, being more observant in looking for exposures, corrective action closure, etc.; and
- Regional Safety Managers present in our business, who engage daily with team members. Their role includes truck inspections, facility assessments, training and listening to feedback from our people during our Wellness Visits.

We strive to strengthen our industry's safety culture and performance by sharing best practices, tools and resources.

In addition, the US senior leadership team's weekly safety meetings provide focus towards developing solutions that can be replicated across the Group. We hold annual safety weeks, designed to increase awareness of the importance of safety across the business. Senior leadership and middle management support for safety is extremely high across the business. Our focus is at a local level where the work gets done to ensure we move from good to great.

In the US we are also a Safety Week partner. We strive to strengthen our industry's safety culture and performance by sharing best practices, tools and resources. Safety Week is sponsored by members of The Construction Industry Safety Initiative and the Incident & Injury Free Executive Forum. We are focused on the impact our safe choices have on our team members, their families and the communities in which they live and work. We are united in our commitment to continuously improve our safety culture and send each employee home safe each day.

Similar safety processes operate in the UK. We run the Work Safe Home Safe campaign to ensure staff also take responsibility for their own safety and all Sunbelt UK managers undertake the five-day IOSH (Institution of Occupational Safety and Health) Managing safely course.

WORK HOME SAFE
KEEPING SAFETY PERSONAL... IT'S IN OUR HANDS

The UK also monitors near miss incidents in addition to actual incidents and uses this information to adapt our processes to reduce the risk of such events becoming incidents. Where incidents do occur, our procedures ensure we learn and improve our processes. The UK's environmental, health and safety managers operate on a regional basis and visit stores to assist with incidents and perform health and safety inspections.

EMPLOYEE SPOTLIGHT:
EMMA CLARKE – FITTER

Before she joined Sunbelt UK, Emma says she had no previous experience in the lifting or construction industry. She had been a hairdresser and teacher trainer for over 10 years, but fancied a change of career. Emma was originally recruited as a driver but her manager and colleagues recognised her interest in repairing and maintaining equipment.

She was given the opportunity to become LEEA (Lifting Equipment Engineers Association) qualified and by the end of that same month, was promoted to become a fully fledged fitter for our FLG Services division which specialises in lifting and safety equipment.

I have been given some fantastic development opportunities and have completed several training courses, as well as obtaining my forklift licence.

"I am now very proud to be FLG's first-ever female fitter and I am responsible for the repair and maintenance of a huge range of specialist equipment," says Emma. "I have gone from glitz and glam when I was a hairdresser, to fixing equipment. It feels amazing when you can follow your interests and make it your daily job. I love fixing things!"

In addition to our launch of the 'Engage for Life' programme, other new safety initiatives during the year included:

- Prioritising new team members who have been on board for fewer than 180 days, who we refer to as short service employees. These are known across all industries to be more likely to be injured than experienced workers. Therefore we are focusing efforts on how to identify and connect with them effectively day to day, to reduce their exposure to any incident.
- We introduced another new safety process last year called the Weekly Safety Lead. Using the Weekly Safety Lead card, a selected team member walks their location and records his or her observations. At the following weekly safety meeting they share their findings. This ensures that in any location, safety is a living, breathing evolving process.
- The UK launched a new safety campaign, Take 5 for Safety, encouraging staff to take a moment to think about their own and others' safety before starting any activity.

Driver and vehicle safety

Our North American transportation fleet continues to operate as one of the safest fleets in the equipment rental industry. Our commercial vehicle training programme is an ongoing initiative across the US and Canada, which ensures that all our drivers are trained in vehicle safety and compliance. We continue to be among the leaders of our industry in continuously supporting the training and education of employees in commercial vehicle compliance and safety, including core training on hours of service, truck inspections, technology enhancements, load securement and hazardous materials.

We continue to target ways to reduce our motor vehicle incident rate. Our Driver Behaviour Management System ('DBMS') takes data from our onboard telematics units and communicates it directly to our motor vehicle compliance team with results shared to field operations daily. This helps us control any on-the-road unsafe behaviours and activities. While designed to improve driving behaviour, we also benefit through cost savings due to lower fuel usage, engine and vehicle maintenance and accidents.

In addition to the DBMS, drivers participate in online risk assessments that identify safe and unsafe behaviours through interactive driving modules. By identifying the risk profiles of our drivers, we are able to develop specific adaptive learning programmes for them. Through the use of electronic driver logs, our drivers receive real-time feedback on their hours of service and our fleet safety compliance team is able to retrieve driver data immediately. In addition to the electronic hours of service logs, we also use an electronic pre-trip inspection that is conducted on the driver's phone.

Last year we focused particularly on ensuring compliance with our driver hands-free policy. We prohibit the handheld use of mobile phones or devices when driving on company business even where this is not enshrined in law.

In the UK, our driver training courses are aimed at delivery drivers and cover areas such as loading and unloading of vehicles, working at height, site safety and manual handling. All general drivers, including delivery drivers and fitters, are required to undertake the Driver Induction Course, which is delivered in the form of workshops and covers transport procedures, legislation, hazard perception and practical driver assessments.

Health programmes

It is crucial that our workforce is a healthy one and we work hard to look after our people and help them look after themselves. When our staff are on top form, they provide the best service to our customers. Needless to say we have prioritised the health and well-being of our staff and their families during the COVID-19 pandemic. Virgin Health Miles is a programme we use to reward our US staff for healthy behaviour, which incentivises them to track their health and invest in it to reap the programme rewards that we are providing. Staff get savings on their healthcare costs if they do exercise, for example. Some 30% of US staff are currently enrolled in the scheme and 42% of those are earning health miles. Members have earned $268,000 in rewards and report that the programme makes Sunbelt a better place to work.

"Being a responsible business means sharing and promoting our safety culture with our customers and suppliers.

Working on safety with our customers and suppliers

Being a responsible business means sharing and promoting our safety culture with our customers and suppliers whenever possible. For example, we have dedicated aerial work platform, forklift and earth moving operator trainers who train customers and we offer customised training programmes to fill their needs. We work with customers' safety teams to develop customised training courses, sometimes for a specific jobsite and participate in training days for major customers, demonstrating safe use of equipment and running training seminars. This is in addition to the routine safety briefings that accompany equipment rental. We now offer dedicated full-time safety trainers for our customers in 50 markets across North America.

Our customer training covers a broad range of topics including:

Operator training:

- Aerial work platforms, boom lifts and scissor lifts
- Forklifts, warehouse and telehandler rough terrain
- Earth moving equipment, loaders, excavators, backhoes

Train the trainer:

- Aerial work platforms
- Forklifts
- Earth moving equipment
- Fall protection

Scaffolding:

- User hazard awareness
- Competent person
- Suspended platforms hazard user awareness
- Suspended platforms competent person
- Customised courses available

For Canada, additional classes include:

- Working at height safely
- Propane handling
- Lock out tag out
- Working safely in confined spaces

OUR PEOPLE

OUR PEOPLE ARE DRIVEN, CONSCIENTIOUS AND LOYAL AND WE WORK HARD TO MAINTAIN THAT

Why they matter

A skilled and committed workforce is fundamental to the Group's long-term success and key to this is treating everyone fairly and with respect.

Since the impact of COVID-19 became apparent we have communicated frequently and openly with our team members. We have not made any team members redundant as a result of the impact of COVID-19 and have not sought assistance from government programmes such as the UK's Coronavirus Job Retention Scheme or similar schemes in Canada.

We endeavour to hire the best people, train them well and look after them so they provide the best possible service for our customers. Our aim is to keep employee turnover as low as possible to enable us to build on the skill base we have established. This is core to the success of the business and our competitive position and therefore staff turnover is one of our KPIs (see page 35).

In general, the rental industry suffers from high staff turnover, particularly within certain job categories such as mechanics and delivery truck drivers, with turnover being particularly high within the first two years of employment. We increasingly find our staff targeted by competitors which, whilst a compliment, means we have to work harder to retain them.

In North America, our voluntary staff turnover is 14% (total staff turnover is 19%) with two-thirds of this turnover arising from people with less than two years' experience. Although staff turnover is slightly higher in the UK, the overall picture is similar. Voluntary staff turnover is 16% (total staff turnover is 21%) and around 11% arises from people with less than two years' experience.

Our employees are driven, conscientious and loyal and we work hard to maintain that through market-leading training and development and superior reward and benefits. We have extensive programmes in place to ensure high standards of recruitment, training and the appraisal, review and reward of our employees.

A key area of focus for improvement is the onboarding and mentoring of new recruits. As can be seen from staff turnover levels and safety statistics, employees are unlikely to leave us and much less likely to suffer an injury or accident at work if they have been with us for two years or more. In addition, we endeavour consistently throughout the year to maintain and develop arrangements aimed at involving employees in the Group's affairs and hearing their views. Regular meetings are held at stores to discuss performance and enable employees to input into improvements as well as providing feedback on their own levels of satisfaction.

Increasingly, as we grow, we add to our employees through acquisition. When we acquire companies, we also acquire their knowledgeable and dedicated staff who have often built up a successful business. To maintain that success, we adopt a circumspect approach when it comes to integrating new staff into the Group. Employees' contracts and conditions are analysed, and if there are differences with Group terms, we phase-in any convergence over a period of time. We want new employees to be engaged with the new environment in which they find themselves, so we hold a presentation day for staff where senior management presents an overview of the Group, our plans for the acquired business and how they fit into our strategy for the future. We then demonstrate further our commitment to our new employees by investing in the business they helped build. Furthermore, integrating these new employees into our health and safety programmes contributes to enhanced health and safety within the rental industry.

Recruitment

With our rapid growth, recruiting new employees is of the utmost importance. Our recruitment efforts are not only focused on finding the right employees and communicating the benefits of working for Sunbelt, but bringing awareness and excitement about the opportunities we provide. Our focus is on improving and standardising our recruitment and onboarding processes to reduce the level of turnover in the first two years. To aid these efforts we have a number of programmes/initiatives including:

- Our Co-Op programme provides an entry point for trade school students to apply knowledge and skills learned in their programmes of study. Over the course of six months, participants perform specific job tasks while demonstrating the potential to join the team as a technician-in-training or technician upon graduation from their trade school.
- Manager In Training ('MIT') – this programme identifies top talent out of college and the military and places them through an accelerated training programme.

In the UK our careers website allows prospective employees to apply online and enables us to manage the whole recruitment process internally, from posting of vacancies through interviews and offer/unsuccessful letters. Users are able to sign-up for job alerts in specific regions or divisions and internal reporting is both detailed and tailored. We are planning to move towards a more cost-effective and professional direct sourcing model which leverages the Sunbelt UK and divisional brands, and promotes the opportunities that exist across our business.

Military recruitment

In the US we have a long history of being a Top-50 military-friendly employer, but we are no longer satisfied to be one in a pack. By launching a series of high-profile campaigns supporting our veterans, while still upholding our tradition of attending military job fairs, we intend to be a true leader in veteran employment. From soldiers and sailors to airmen and marines, these veterans choose us because they believe in the way we do business. We leverage the power of Sunbelt by using principles like teamwork, integrity, loyalty and respect to help our customers and our employees lead better lives. In 2019 we were named one of the nation's top Military Friendly® Employers by VIQTORY, a service-disabled, veteran-owned small business that connects the military community to civilian employment, as well as providing educational and entrepreneurial opportunities. Our military recruitment campaigns include acknowledging veterans in our current workforce, as well as expanding our work with the Gary Sinise Foundation and participating in media events, such as 'Military Makeover'. With these combined efforts, Sunbelt US is determined to be the employer of choice for military veterans.

In the UK, we work in partnership with British Forces Resettlement Services ('BFRS') – a social enterprise created to help the armed forces community with their transition into civilian life. BFRS works with service leavers to provide them with the skills and opportunities they need to successfully resettle after leaving the armed forces.

APPRENTICE JACOB SKELDON

Jacob works as a mechanical engineering apprentice at our PSS HIRE depot in Edinburgh. Jacob is known to always be the first in the depot every day, with his overalls on and ready to start work. He is always keen to learn, picks up new skills exceptionally quickly and his passion for the job is described as second to none. Such is his skill as an engineer that other engineers with 10, 20 or even 30 years' experience in the trade will often go to Jacob to ask him what he thinks is wrong with a machine. Jacob is the perfect example of the kind of high calibre specialist who thrives in our apprenticeship programme.

UK apprenticeship programme

The UK's apprenticeship programme continues to win awards for being one of the most successful and highly valued schemes in the equipment rental industry. We took on 52 trainees last year and we plan to recruit a similar number of apprentices in the coming year, as well as setting up an apprenticeships academy. Our apprentice programmes take between one and three years to complete and usually include outside training and a formal NVQ qualification, in addition to on-the-job training. We have six apprentice streams – plant maintenance, customer service, driver, electro technical, mechanical engineering and civil engineering. We are pleased that our efforts to increase diversity mean that 17% of our apprentices are female, which compares very favourably with the 9% female apprentices average for the construction industry. Our apprentice scheme also has an impressive 88% completion rate compared to the industry rate of c. 65%.

Career development and training

Training and development continues throughout the careers of our employees and we have many programmes in place to ensure they achieve their ambitions, reach their potential and remain safe, as outlined above. Employees' welfare and job satisfaction are enormously important and we invest significant money and time in facilitating career development and evolving training to reflect the changing needs of our workforce.

Sunbelt has a number of career development and training initiatives including:

- a technician-in-training programme;
- a paid technician Co-Op programme for trade school students approaching graduation;
- employee surveys;
- a Learning Management System that delivers, tracks and manages all our training online;
- the Jumpstart Sales programme;
- the Jumpstart Manager In Training programme;
- an intern programme both in stores and at the support office;
- a leadership curriculum for all store managers; and
- an Executive Leadership Development programme.

Following the success of the Jumpstart Sales programme, the Manager in Training ('MIT') programme was created to help drive fulfilment of key management roles. MIT candidates are recruited from college/university, most often through a job or careers fair. Once the best candidates are identified, they begin the 12-month programme. The first six months are comprised of a curriculum focused on how to run a branch from an operations, sales and financial perspective. Trainees use this time as on-the-job training where they assist the branch manager in all aspects of running the business. The end goal is for each MIT graduate to be placed as a manager or assistant manager at a branch; however, skillset and interests also allow graduates to be placed in other roles such as sales, operations, safety or project management.

Last year, in the UK we held over 8,500 employee training days through a wide range of courses. In order to identify training needs when recruiting, we have developed a series of competence forms and adopted the OSAT (On Site Assessment and Training) programme. Each employee has their skills mapped against the qualification framework through assessment and any skill-gaps are filled through training. Through this process we can be sure of developing the skills and qualifying the experience of our workforce. To evaluate the effectiveness of our training, we issue all delegates with feedback forms and these are evaluated and actioned as required.

In the early part of the year the UK conducted its first all employee survey 'Your Voice – make a difference'. The principal issues raised related to the vision for the business, communication and collaboration, career progression and reward and a concern that the survey results would not be acted upon. The results of the survey were an important element of regional meetings held during the initial stages of Project Unify and helped shape the strategic vision for the UK business launched at the Manchester conference in March.

As well as classroom based training, all employees in the UK have access to an online learning zone, Academy, facilitating mandatory training as well as offering a range of optional courses.

The UK's undergraduate placement programme offers university students the opportunity to spend a year in our business under the mentorship of one of our directors. Students gain an excellent insight into managing a business area at a strategic level and work on a project supporting a real business need, with a direct link to our products and customers.

JUMPSTART SALES PROGRAMME

Jumpstart Sales is a 36-week programme through which targeted sales trainees learn all aspects of the business through education, job shadowing, mentoring, and 1-1 coaching by team members at any store. 90 Jumpstart Sales trainees graduated during the year. To date, 98% of all graduates have stayed with the business. The programme covers all aspects of the business starting with yard operations through front-line customer selling. We have also been able to follow the progress of graduates from earlier cohorts. In three key metrics (rate achievement, jobsite revenue, and fleet on rent), Jumpstart graduates either out-performed or were in close proximity to their peers of the same tenure. We also kicked off a Jumpstart Manager in Training cohort in October 2019. 13 trainees from across the enterprise are currently working through a 12-month development programme. The phases are Get to Know the Rental Industry, Get to Know the Team, Get to Know the Business, Learn to Lead a High Performing Team, and Put it All Together (Final Project).

> 98% of all graduates have stayed with the business.

Reward and benefits

We believe in treating our staff well and rewarding them for the effort they put in on our behalf. We use a combination of competitive fixed pay and attractive incentive programmes to reward and motivate staff and these drive our profits and return on investment. All eligible Sunbelt UK employees are paid the Living Wage (as recommended by The Living Wage Foundation) and Sunbelt UK is an accredited Living Wage Employer. In North America we adopted a Leading Wage to ensure all employees are paid an hourly rate in excess of the state and federal recommended rates. The Leading Wage programme was adopted initially in the US and rolled out to Canada last year.

CASE STUDY
MILITARY RECRUITMENT

The staff at the Jacksonville, N.C., location includes six Marine Corps and Army veterans who have a combined military service of nearly 100 years. (L-R) Andrew Raynor, Billy Hurley, Ferlin McClanahan, Steven McNeill, Michael Cuntapay and Michael Plummer.

We provide a comprehensive package of benefits ensuring they represent affordable and smart choices for employees. Each benefit offering has been designed to work with another, providing a financial safety net that serves those employees in need, as well as providing us all with a proper sense of security. In the US we offer robust and comprehensive medical coverage and, despite the growing costs of healthcare, member contribution rates were not increased. By continuing to promote wellness, we intend to maintain a fair and balanced health plan that is considered one of the best in our industry. The Sunbelt Rentals, Inc., 401(k) Retirement Savings Plan leads the way in employee participation, with an astounding 96% enrolment rate. Similarly, in the UK, 98% of employees participate in the Group's pension arrangements. Our employees are excited to be here, and we want to help them prepare for their future, whatever it holds.

Our sales force is incentivised through our commission plans which are based on sales, both volume and price achieved, and a broad measure of return on investment determined by reference to equipment type and discount level. We flex our incentive plans to reflect the stage of the cycle in which we operate, which we believe is an important element in retaining the confidence of our workforce through the economic cycle.

In addition to their core benefits, including pension and life assurance arrangements, we have an employee assistance helpline which offers free confidential support and advice to those in need. We also have other benefits such as Virgin Health Miles to promote good health amongst our employees. In the UK we have introduced a flexible holiday arrangement enabling employees to purchase additional holiday entitlement or sell unused or unwanted holiday back to the Company, giving them the opportunity to exchange some of their holiday entitlement for additional pay and allow the employee more flexibility and choice in how they use their contractual benefits.

Diversity and equal opportunities

Providing equal opportunities for all our staff and employment diversity are priorities for Ashtead. Our recruitment comes predominantly from the areas immediately around our facilities thereby providing opportunities for local people and a positive impact on their community. We make every reasonable effort to give disabled applicants and existing employees who become disabled, opportunities for work, training and career development in keeping with their aptitudes and abilities. We do not discriminate against any individual on the basis of a protected status, such as sex, colour, race, religion, native origin or age.

In the US we are required by law to monitor ethnicity in our workforce every year and we maintain a diverse workforce. We also gather ethnicity data as part of the recruitment process in the UK and, through an Equality and Inclusion Survey, monitor our diversity. Increasingly, many local authority and public sector tenders request this kind of information. We are committed to providing opportunities for people from all ethnic groups and in both geographies we have good representation from ethnic minorities across the organisation. Sunbelt UK continued a company-wide focus on equality, diversity and inclusion, in order to make sure its workforce represents society as best as it can and is representative of the communities in which it works.

We aim to attract a broad and diverse mix of candidates and employees to our businesses at all levels. Nevertheless, our workforce reflects the nature of our business, the industry we operate in, and the markets we serve. A significant proportion of our workforce is mechanics, drivers and, in the UK, traffic management operatives, and these roles are predominantly undertaken by men. However, we also have areas of our business which attract more women, such as professional functions, sales and customer service. As a result our industry has traditionally had many more men than women; however, we do have women at all levels within the business including on the Board, within the senior management teams and as store managers, sales executives and apprentices. While we prioritise recruiting the best people for every role, we are working to make it easier for more women to join and progress within the organisation.

WORKFORCE BY GENDER

Number of employees	Male	Female	Female %
Board directors	5	3	38%
Senior management	31	4	11%
All staff	17,347	1,943	10%

Ashtead pays men and women the same for the same role with the actual remuneration being based on their skills, experience and performance. As a result of our mix of employees and the roles they undertake, the average pay of men and women differs across the business. Summarised below is the amount by which average pay for men exceeds that for women:

	Pay gap
Sunbelt US	5%
Sunbelt UK	4%
Sunbelt Canada	11%

OUR COMMUNITIES

COMMUNITIES ARE CRUCIAL TO OUR WORK

Why they matter

Playing a big role in our local communities is crucial to our work in all our markets. As we expand our market share, particularly in the US and Canada, we have ever more impact and influence, enhancing the communities in which we operate, through employment, opportunity and community involvement. Our responsibility to those communities increases as we grow.

We have a big social impact on the communities where we work through the provision of sustainable local jobs. It is crucial to us that we recruit locally when we can. We also have a huge impact on both our own communities and those further afield through our disaster relief work with communities in distress from a wide range of factors. This has never been more important than during the COVID-19 pandemic and you can read more about our response on page 16.

Our staff feel great pride in providing a service for their community so everyone benefits. Our business is about helping people and getting things done. It is about finding solutions, especially when there has been an emergency or a disaster like a major flood or a hurricane. Contributing to the communities where we operate is an important differentiating factor for Ashtead staff, as well as being attractive to new recruits.

Community initiatives

In the locations where we work, we have multiple community-based programmes which often tie in well with what we do and how we do it. Raising our profile in the community in this way is completely consistent with our desire to do more in terms of the quality of life of our staff and their families.

Our stores regularly support and participate in local charity events and community service. For example, we provide support to many community sporting events. We also continue to work closely with our designated charitable partners, the American Red Cross and its affiliates such as the Second Harvest Food Bank for which we have a food drive every November in the US. We allow employees to make payroll deductions to contribute to the American Red Cross or the Sunbelt Employee Relief Fund.

In the UK, The Prince's Trust is our primary charity partner. The Prince's Trust supports 11-30 year olds who are unemployed, struggling at school and at risk of exclusion, in or leaving care, facing issues such as homelessness or mental health problems, or who have been in trouble with the law. In addition, we have also committed to working with Teach First which recruits and trains teachers, placing them in schools in low-income communities. Not only are we providing valuable funding to Teach First, the charity's teachers and pupils in partner schools also have the chance to work with Sunbelt UK volunteers across our business.

AMERICAN RED CROSS

Sunbelt and the American Red Cross share a passion for assisting with relief efforts in times of need. On top of financial donations to the Red Cross, we send equipment and support to disaster-affected areas throughout the US to aid in relief efforts.

CASE STUDY

100-MILE CHALLENGE

Darryl Harwood of our UK Power Solutions business completed a 100-mile bike ride to raise funds for the Terrence Higgins Trust. Darryl completed the Prudential Ride London–Surrey 100-mile challenge which was introduced by the Mayor of London to encourage more people to cycle more safely. Celebrating the legacy for cycling created by the London 2012 Olympic and Paralympic Games, the race started at 5.45am in Queen Elizabeth Olympic Park, then followed a 100-mile route on closed roads through the capital and into Surrey's countryside.

GARY SINISE FOUNDATION

We have entered the fifth year of our partnership with the Gary Sinise Foundation ('the Foundation'), which honours military veterans and their families through the implementation of unique programmes designed to entertain, educate, inspire, strengthen and build communities. Sunbelt's commitment to community and veteran support led to our connection with the Foundation and its R.I.S.E. (Restoring Independence, Supporting Empowerment) service, which builds 100% mortgage-free specially adapted custom smart homes for severely wounded heroes and their families so they may gain more independence in their daily lives. Through this partnership, Sunbelt supplies tools and equipment to the contractors on each of the home builds at no charge, donates a portion of rental proceeds from uniquely branded Gary Sinise Foundation equipment, and also implements various localised fundraising efforts.

In 2020, Sunbelt expanded its partnership focus to also provide assistance to the Foundation's Snowball Express and First Responders Outreach programmes. Through these efforts, the Foundation serves the children of fallen military heroes and aids critical funding for emergency relief, training and essential equipment of America's firefighters, police departments and EMTs, respectively. In 2019 we contributed more than $1m to the Foundation. We aim to bring heightened awareness to the Foundation's work through continued fundraising and outreach initiatives to help positively impact the lives of veterans, defenders, and their families.

> In 2019 we contributed more than $1m to the Foundation.

THE ENVIRONMENT

WE AIM TO LIMIT OUR IMPACT ON THE ENVIRONMENT

BUILDING A MORE ENERGY EFFICIENT FLEET

With an investment totalling £350,000, we purchased a new fleet of 10 JCB 19C-1E mini excavators in the UK which counts as JCB's largest order to date of the new electric machines. The 1.5-tonne machine uses leading-edge automotive battery technology, delivering all of the performance of a conventional excavator with a significant reduction in noise and zero exhaust emissions. Designed to meet a growing need for low carbon construction equipment, the new fleet will allow contractors to work inside buildings, in emission and noise-sensitive inner city areas and in tunnels or underground, without having to install expensive exhaust extraction equipment. The machine works indoors as easily as it does outdoors and produces the same output as its diesel counterpart.

Why it matters

We work to ensure any impact we have on the environment is a positive one. We are committed to providing the very latest and low and even zero carbon equipment available. For example, in the UK, we recently invested in the industry's first fully electric excavator. Focusing on environmental impact helps assist our customers who are increasingly seeking ways to reduce their carbon footprint and enables us to reduce our impact and costs. It also helps our staff feel good about where they work and helps to build good relationships with the communities around our stores.

Our commitment to improving energy performance is intended to reduce our impact on the environment and should also deliver significant long-term cost savings. We can do this through managing our own performance and enabling that of our customers.

We monitor our environmental performance by looking at the management of:

- fuel usage;
- electric and gas usage;
- waste in all its forms;
- recycling of equipment;
- telematics on the fleet where possible; and
- driver training to ensure environmental efficiency.

We provide more environmentally friendly equipment when possible such as:

- electric equipment;
- eco accommodation units;
- eco lighting;
- battery products; and
- hybrid generators.

We also seek to lead through innovation and industry events such as our Hydrogen Energy Summit held last autumn.

Initiatives

We continue to make fleet efficiency gains in the UK. The Fleet Operator Recognition Scheme ('FORS') is an accreditation scheme that aims to improve vehicle fleet activity throughout the UK. The over-arching scheme encompasses all aspects of safety, fuel efficiency, economical operation and vehicle emissions. All Sunbelt UK locations, except for recently acquired ones, are FORS accredited with 165 locations accredited to Gold level. All locations are accredited, with new locations having to become accredited, to ensure we meet all legislative requirements, as well as helping to minimise our environmental impact and operate efficiently.

We seek to minimise our environmental impact in everything we do. One way of measuring how well we are doing is through our carbon footprint and the monitoring of waste and other environmental KPIs. Two elements of our business which have a significant impact on the environment are our rental fleet and delivery fleet. Our significant investment in the rental fleet in recent years has resulted in one of the largest Tier IV engine fleets in the US with older, pre-Tier IV fleet being disposed, while our cooling equipment uses environment and ozone-friendly refrigerants.

We also help our customers work in more environmentally friendly ways. Our containment berms enable chemical spills to be collected and stored safely until they can be transported away. We provide solar-powered light towers which provide light for up to 60 hours before they need a charge, to allow work to continue after dark without carbon emissions. Our ground protection helps minimise the environmental impact of foot and vehicle traffic, creating a buffer that, being washable, unlike wooden mats which can absorb mould and contaminants, is also safely transferable.

Driving over 250 million miles a year delivering and servicing equipment and serving customers means that any steps we take to reduce the environmental impact of our vehicle fleet is important. These steps include the use of:

- telematics to monitor vehicle idling and driving efficiency;
- speed limiting devices on all 3-axle vehicles in the US, resulting in fuel savings and increased safety;
- technology to optimise delivery routes;
- tyre pressure monitors to optimise fuel efficiency;
- fuel efficient tyres and tyre inflation systems to reduce rolling resistance in the US; and
- improved design to increase fuel efficiency of the delivery and service fleet.

We continue to invest in 'greener' equipment whenever we can and where it makes economic sense, sometimes also driven by customer demand. In addition to Tier 4 engine requirements, where we can we purchase other more environmentally efficient equipment for a wide range of different applications. Customers can also opt to use less toxic biodegradable hydraulic oil for use in equipment operated in sensitive areas, for example. We also have industry-leading availability of natural gas generators and hybrid light towers.

Environmental assessments and impact management are an important aspect of our business every day. We make extensive use of environmental information databases to ensure we comply with any requirements and have the appropriate permits to conduct business. When we open new locations or acquire businesses we undertake thorough environmental assessments to ensure they meet our environmental standards and do not pose an unacceptable risk to the business.

An important part of minimising our environmental impact is continuing education. We provide environmental education reminders to field and service personnel on a regular basis in the US through TechConnect, a newsletter delivered to their homes.

Greenhouse gas emissions

As we are a growing business with aggressive expansion plans, our absolute greenhouse gas ('GHG') emissions will necessarily increase. However, we continue to evaluate how best we can limit that increase and mitigate the impact.

Our Scope 1 (fuel combustion and operation of facilities) and 2 (purchased electricity) GHG emissions are reported below, together with details of the energy consumption used to calculate those emissions. We have opted not to report Scope 3 emissions due to the difficulty in gathering accurate and reliable information. The majority of these arise through our customers' use of our equipment on their sites and projects.

In order to calculate the GHG emissions and total energy consumption in mWh, we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019, as well as the US Environmental Protection Agency.

In the UK, we collect data from all Scope 1 and 2 vendors and hence, there is no estimation involved. In the US and Canada, due to the size of our operation, we collect data from the significant vendors and then use this to estimate emissions attributable to the balance. At April 2020, approximately 8% of the Sunbelt North American emissions balance was estimated.

We are also required to give an intensity ratio as appropriate for our business. Our level of GHG emissions vary with our activity levels and we have concluded that the most appropriate intensity ratio for Ashtead is headcount intensity. Our intensity metric is therefore an indication of emissions per employee (tCO_2e/FTE).

	2020	2019
Emissions intensity ratio – emissions per employee (tCO_2e/FTE)	**17.5**	18.1

GREENHOUSE GAS EMISSIONS

		2020		2019	
		UK	**Total**	UK	Total
Scope 1	tCO_2e/year*	**31,646**	**296,128**	32,357	265,319
Scope 2	tCO_2e/year*	**2,856**	**36,399**	3,082	38,415
Total	tCO_2e/year*	**34,502**	**332,527**	35,439	303,734
Energy consumption used to calculate emissions	mWh	**143,055**	**1,303,858**	143,708	1,176,238

* tCO_2e/year defined as tonnes of CO_2 equivalent per year.

CASE STUDY

LEADING THE DEBATE – UK HYDROGEN ENERGY SUMMIT

In autumn 2019 we invited industry experts, suppliers and partners to a Hydrogen Energy Summit to tackle the growing demand for renewable fuel sources. The workshop took place in partnership with Intelligent Energy at Loughborough University and aimed to focus on how hydrogen can be developed as a sustainable fuel replacement for diesel. Hydrogen fuel cell powered products are increasingly gaining traction as a viable alternative to diesel generators, particularly in the UK construction industry, as they are zero emission, operate quietly and offer scalable power. The workshop brought together representatives from some of the industry's key operators, with the aim of working together to find solutions to bring products and services to market. The event combined a series of presentations, product demonstrations and discussions as well as a tour of Intelligent Energy's facilities which showcased its commercially available fuel cell product range.

CASE STUDY

ECO-FRIENDLY ACCOMMODATION UNITS

Our UK accommodation business has expanded its range of eco-friendly welfare units with a £2m investment with Boss Cabins. Forming part of our ongoing commitment to deliver a greener fleet, the new eco-units range from 12ft to 16ft. The cabins are 100% corrosion resistant and are constructed from high-grade stainless steel. With a minimum lifespan of 25 years, 90% of the materials used can be recycled at the end of the unit's life. They also offer a 16% increase in occupancy, as they can accommodate seven people instead of the industry standard of six. Fitted with a unique and clever eco-electric system that prioritises energy output, the cabins incorporate a smart system that only uses energy when it is needed, therefore reducing daily running costs. They also offer users a 33% average reduction in generator usage.

BUSINESS ETHICS

Our commitment to the highest ethical standards means that the Group Risk Committee works to ensure these continue to be communicated and upheld throughout the business. We believe in the rights of individuals and take our responsibilities seriously to all our employees and those who may be affected by our activities. During the year we updated the Group's modern slavery and human trafficking policy, business ethics and conduct policy and ethical sourcing policy. These policies form part of our way of doing business and are embedded in our operations. They are also communicated directly to employees through dedicated communication and training programmes. While we do not manage human rights matters separately, we continue to assess potential risks and do not believe they raise particular issues for the business.

Ethics training

Senior employees across the Group receive regular business ethics training to ensure they are aware of their obligations and responsibilities with regard to competing fairly, the UK Bribery Act and, in the US, the Foreign Corrupt Practices Act. This takes place every two years in North America with 2020/21 being the next year of training, while in the UK, it is undertaken annually. Anti-corruption and bribery policies are maintained and reviewed on a regular basis with relevant guidance incorporated into our employee handbooks and available on our intranet pages.

Whistle-blowing

Our whistle-blowing arrangements allow employees, in confidence, to raise concerns about any alleged improprieties they may encounter. This arrangement is now outsourced to a third-party provider in both North America and the UK allowing both phone and web intake.

Supply chain

As part of our ongoing business ethics work, we are reviewing the sustainability and diversity of our supply chain and will continue to prioritise this where possible. Enquiries of suppliers are made when we enter into supplier relationships and refreshed on an ad hoc basis depending upon the level of business we undertake with any supplier.

LOOKING TO THE FUTURE

The COVID-19 pandemic has brought it home to the world like never before just how important it is to be aware of what may happen in the future when both planning for the future and ensuring that we remain a responsible business. We have always planned for the future due to the cyclical nature of the business as we discuss elsewhere in this report. We are no different from any other business with topics such as climate change, emerging technology and innovations and the threat of cyber-attack affecting our business.

Climate change

Like any other business, climate change has the potential to impact ours greatly. For example, adverse weather events or natural disasters could negatively impact economies and disrupt our business day-to-day. However, unlike many other companies, climate change is as much an opportunity for Ashtead as a risk. This is predominantly because of two issues. Firstly, as regulations change requiring greater use of lower carbon technologies and also as companies voluntarily choose to use more environmentally friendly equipment, it is still much more efficient for them to rent that equipment from us rather than buying it themselves. So climate change will continue to drive the trend to rental that we talk about often in this report.

Secondly the more extreme weather events associated with climate change lead to the kind of damage and clean-up operations in which we are highly experienced. Our disaster response capability is one of the specialty areas in which we truly excel and are well known. While not linked directly to climate change, our disaster relief capabilities were immediately called upon to assist with management of the COVID-19 pandemic in the US, Canada and the UK, even under lockdown across all territories.

In accordance with the recommendations from the Task Force For Climate-related Financial Disclosures ('TCFD'), we will be examining in more detail the specific risks and opportunities to the business posed by climate change and expect to report on this in more detail in the future.

Emerging technology and innovation

We are already at the forefront of technological innovation in the rental industry and intend to maintain that position. Our online CommandCenter, also available as an app, allows customers to organise and track equipment rented, at any time of the day or night. Our online monitoring and reporting mechanisms drive efficiency for both ourselves and our customers. Having the right technology and applying it quickly to evolving markets and scenarios is a big competitive advantage for us. For example, we have been able to immediately put in place automated curb-side pickup of some of our equipment to facilitate social distancing during the COVID-19 pandemic.

Cyber security

As the world continues to move online, even more so because of COVID-19, at least in the short to medium term, awareness, monitoring and adaptability to cyber-security issues is ever more crucial for us. We are prioritising the monitoring of any potential cybersecurity vulnerabilities and working to ensure business continuity under all potential scenarios. For more on cyber security risk see page 37.

NON-FINANCIAL INFORMATION STATEMENT

The non-financial reporting regulations in section 414CA and 414CB of the Companies Act 2006 require the disclosure of specific information relating to environmental matters, the Company's employees, social matters, respect for human rights and anti-corruption and anti-bribery matters, a summary of which is set out below.

ENVIRONMENTAL MATTERS

We seek to minimise the environmental impact of everything we do. In addition, our commitment to improving energy performance is intended to reduce our impact on the environment and could deliver significant cost savings over time.

Further details of our policies, including disclosure of carbon emissions and energy usage data, is provided on pages 62 and 63.

Related principal risks: see 'environmental' risk on page 38.

EMPLOYEES

Our employee policies are designed to ensure that we hire the best people, train them well and look after them so that they provide the best possible service for our customers and suppliers. Furthermore, health and safety policies are core to our operations as we need to provide equipment which is safe to use and minimises any risk to our people.

Specific policies provide equal opportunities to all of our staff and ensure that we maintain an inclusive culture. Employee policies are available to all employees through the employee handbooks and on our employee intranet.

Further details of our policies, including details on our safety programmes, training and recruitment activities, is provided on pages 50 to 59.

Related principal risks: see 'people' risk on page 38.

SOCIAL MATTERS

Playing a big role in our local communities is of crucial importance to our business. As we expand our market share, particularly in the US and Canada, we have ever more impact and influence over the communities where we hire staff and make an economic contribution. Our responsibility to those communities increases likewise. The Group has policies to support employee volunteering for programmes which positively impact our communities.

Further details of our contribution to society is provided on pages 60 and 61.

Related principal risks: social matters are not considered a principal risk for the Group.

HUMAN RIGHTS

At Ashtead we believe in the rights of individuals and take our responsibilities seriously to all our employees and those who may be affected by our activities. We have policies addressing modern slavery and human trafficking, business ethics and conduct, ethical sourcing and whistle-blowing procedures, all of which protect our employees as they go about their work. These policies form part of our way of doing business and are embedded in our operations. Thus, while we do not manage human rights matters separately, we continue to assess potential risks and do not believe they raise particular issues for the business.

Further details of our policies are provided on page 64. Our business ethics and conduct policy, modern slavery and human trafficking policy and modern slavery and human trafficking statement are available on our website.

Related principal risks: breaches of human rights have not been identified as a principal risk for the Group.

ANTI-CORRUPTION AND ANTI-BRIBERY

Anti-corruption and bribery policies are maintained and reviewed on a regular basis with relevant guidance included in employee handbooks and available on our employee intranet.

Further details of our policies, including details on training required to be undertaken by our employees, is provided on page 64.

Related principal risks: corruption and bribery have not been identified as principal risks.

OTHER MATTERS

In addition, information required in relation to the Group's business model, principal risks, including those which relate to the matters above, and key performance indicators are provided on pages 24 to 27 and 34 to 39 of the annual report.

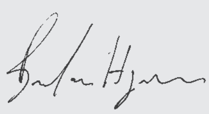
STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTY IN ACCORDANCE WITH S172(1) OF THE COMPANIES ACT 2006

The Board of directors of Ashtead Group plc considers that it has, both individually and collectively, acted in good faith in a way which would most likely promote the success of the Company for the benefit of the members as a whole, and in doing so have had regard (amongst other matters) to factors (a) to (f) as set out in s172(1) of the Companies Act 2006 for the decisions taken during the year ended 30 April 2020. In making this statement, the directors have considered the following matters:

– **the likely consequences of any decision in the long-term**: the Board reviewed the Group's strategy, as disclosed on pages 28 to 33, during the year and concluded that it remains appropriate to support the long-term success of the Company. Shorter term expectations in supporting that strategy are approved by the Board as part of the annual budgeting process, against which the performance of the Group is then monitored. Decisions taken during the year are made in the context of the Group's strategy in order to ensure that they are consistent with that strategy, and in line with the Group's capital allocation policy which is designed to support long-term value generation for all stakeholders as detailed on pages 40 and 41;
– **the interests of the Company's employees:** our people are critical to the success of our business and a core component of our business model. We endeavour to recruit the best people, train them well and look after them so that they provide the best possible service for our customers and remain with us for the long-term. The Board has ultimate responsibility for ensuring the Group's decisions consider the interests of our employees. This has never been more apparent than over the last few months and our response to the COVID-19 pandemic. We have looked to the longer term and no team members have been laid off as a result of COVID-19 and we have not accessed government assistance such as the UK Coronavirus Job Retention Scheme or similar schemes in Canada. Further details and examples of our activities with employees are provided on pages 40 and 41 of the Strategic report and pages 50 to 59 of the Responsible business report;
– **the need to foster the Company's business relationships with suppliers, customers and others:** managing the Company's relationships with suppliers and customers is critical in ensuring the Company delivers on its strategy. We dedicate account teams to our national customers to ensure that we maintain an ongoing dialogue while local customers are managed at a store level to enable us to respond at all levels of the organisation appropriately. Further details and examples of our activities with suppliers and customers are provided on pages 40 and 41 of the Strategic report;
– **the impact of the Company's operations on the community and the environment:** the Group seeks to have a positive impact on the communities in which it operates and minimise the environmental impact of our operations. Examples of our community initiatives and the environmental steps we take are provided in further detail on pages 60 to 63 of the Responsible business report;
– **the desirability of the Company maintaining a reputation for high standards of business conduct:** the Group regularly reviews and updates, where appropriate, its business conduct and ethics policies and ensures that these are communicated to employees, are readily available to employees, customers and suppliers and that appropriate training is undertaken by relevant employees on a regular basis to reinforce the Group's policies. The Group business ethics and conduct policy is approved by the Board and available on the Group's website, while employee specific policies are provided in the employee handbooks. Further details are provided on page 64 of the Responsible business report and on page 74 of the Corporate governance report; and
– **the need to act fairly as between members of the Company:** the Company always seeks to ensure that its communications are transparent and its actions are in accordance with the Group's stated strategic aims to promote the long-term success of the Company. On page 73 within the Corporate governance report we detail how we engage with our shareholders, including both institutional investors and private investors.

APPROVAL OF THE STRATEGIC REPORT

The Strategic report set out on pages 1 to 66 was approved by the Board on 15 June 2020 and has been signed on its behalf by:



BRENDAN HORGAN
Chief executive
15 June 2020

MICHAEL PRATT
Finance director
15 June 2020

DIRECTORS' REPORT

OUR BOARD OF DIRECTORS

1 PAUL WALKER, 63
NON-EXECUTIVE CHAIR

Appointment to current role
September 2018

Paul Walker was appointed as a non-executive director in July 2018 and non-executive chair in September 2018. Paul is chair of the Nomination Committee and a member of the Finance and Administration Committee.

Skills
Paul spent 16 years as chief executive officer of The Sage Group plc, giving him a deep insight of the challenges of running a global business. He has a strong financial background and high-level non-executive experience, which adds to the Board's strength.

Experience
Paul's roles at Sage included chief executive officer, finance director and financial controller. He has also been non-executive director at Diageo plc, Experian plc, Sophos Group plc and MyTravel Group plc.

Qualifications
- Graduated in economics from York University
- Chartered accountant (UK)

Other roles
Non-executive chair of Halma plc

Committee membership
- Nomination (chair)
- Finance and Administration

Nationality
British

2 BRENDAN HORGAN, 46
CHIEF EXECUTIVE

Appointment to current role
May 2019

Brendan Horgan was appointed as chief executive in May 2019, having served as chief operating officer of the Group since January 2018 and as the chief executive of Sunbelt and a director since January 2011.

Skills
Brendan has worked in the business for 24 years and has a detailed knowledge of the operations and brings strong leadership and management skills to his role.

Experience
Brendan joined Sunbelt in 1996 and has held a number of senior management positions including chief sales officer and chief operating officer.

Qualifications
Graduated in business from Radford University

Other roles
None

Committee membership
- Nomination
- Finance and Administration (chair)

Nationality
American

3 MICHAEL PRATT, 56
FINANCE DIRECTOR

Appointment to current role
April 2018

Michael Pratt was appointed as finance director in April 2018.

Skills
Michael is a qualified accountant with 17 years' experience with Ashtead within finance roles giving him a detailed understanding of the Group's business. He has played a key role in defining the Group's capital structure.

Experience
Michael was deputy group finance director and group treasurer from 2012 having joined the Group from PwC in 2003.

Qualifications
- Graduated in civil engineering from the University of Birmingham.
- Chartered accountant (UK)

Other roles
None

Committee membership
- Finance and Administration
- Group Risk

Nationality
British

4 ANGUS COCKBURN, 57
SENIOR INDEPENDENT DIRECTOR

Appointment to current role
October 2018

Angus Cockburn was appointed as a non-executive director, chair of the Audit Committee and member of the Remuneration and Nomination Committees in October 2018. He was appointed as senior independent non-executive director in January 2019.

Skills
Angus brings knowledge of the rental market and specialty businesses, along with a good understanding of the associated strategic and financial issues of operating an international business with a substantial North American presence.

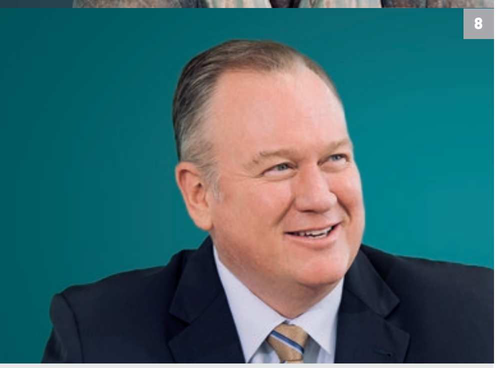
Experience
Angus is chief financial officer of Serco Group plc where he was appointed in October 2014. He was formerly chief financial officer and interim chief executive at Aggreko plc, senior independent director of GKN plc and a non-executive director of Howden Joinery Group PLC.

Qualifications
- Graduated in Business Studies and Accounting from the University of Edinburgh and MBA from IMD Business School
- Chartered accountant (UK)

Other roles
Chief financial officer of Serco Group plc

Committee membership
- Audit (chair)
- Nomination
- Remuneration

Nationality
British



5 JILL EASTERBROOK, 49
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to current role
January 2020

Jill Easterbrook was appointed as a non-executive director and a member of the Audit, Remuneration and Nomination Committees in January 2020.

Skills
Jill brings strong digital experience within retail environments to the Board.

Experience
Jill was previously the chief executive officer of JP Boden & Co and formerly held a number of senior positions with Tesco PLC.

Qualifications
Graduated in economics from Leeds University

Other roles
Non-executive director of Auto Trader plc.

Committee membership
- Audit
- Nomination
- Remuneration

Nationality
British

6 TANYA FRATTO, 59
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to current role
July 2016

Tanya Fratto was appointed as a non-executive director and a member of the Remuneration and Nomination Committees in July 2016 and as a member of the Audit Committee in September 2019.

Skills
Tanya has wide experience in product innovation, sales and marketing and engineering in a range of sectors and has extensive knowledge of operating in the US.

Experience
Tanya enjoyed a 20-year career with General Electric where she ran a number of businesses.

Qualifications
Graduated in electrical engineering from the University of South Alabama

Other roles
Non-executive director of Smiths Group plc, Advanced Drainage Systems Inc. and Mondi plc.

Committee membership
- Audit
- Nomination
- Remuneration

Nationality
American

7 LUCINDA RICHES, 58
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to current role
June 2016

Lucinda Riches was appointed as a non-executive director and a member of the Remuneration and Nomination Committees in June 2016 and chair of the Remuneration Committee and member of the Audit Committee in September 2016.

Skills
Lucinda has extensive investment banking and capital markets experience.

Experience
Lucinda was formerly global head of Equity Capital Markets and a member of the board of UBS Investment Bank. She has held a range of non-executive roles with public companies.

Qualifications
Graduated in philosophy, politics and economics from Oxford University and a Masters in political science from the University of Pennsylvania

Other roles
Non-executive Director of CRH Plc, ICG Enterprise Trust Plc and Greencoat UK Wind Plc

Committee membership
- Audit
- Nomination
- Remuneration (chair)

Nationality
British

8 LINDSLEY RUTH, 49
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to current role
May 2019

Lindsley Ruth was appointed as a non-executive director and a member of the Audit, Remuneration and Nomination Committees in May 2019.

Lindsley brings extensive knowledge of our end markets to the Board, particularly North America.

Skills
Lindsley is chief executive officer of Electrocomponents plc where he was appointed in April 2015. He was formerly executive vice president of the Future Electronics Group of companies and has also held senior positions with TTI Inc. and Solectron Corporation.

Qualifications
Graduated in engineering from Texas A&M University

Other roles
Chief executive officer of Electrocomponents plc and holds a position on the CBI's International Trade Council

Committee membership
- Audit
- Nomination
- Remuneration

Nationality
American

Details of the directors' contracts, emoluments and share interests can be found in the Remuneration report.

→ **Pages 84 to 100**

CORPORATE GOVERNANCE REPORT

The Board meets regularly during the year and is responsible for setting the Group's strategy and ensuring the necessary resources and capabilities are in place to deliver the strategic aims and objectives.

OUR PURPOSE

To provide a reliable alternative to ownership for our customers while delivering sustainable value and above average performance across the cycle for our stakeholders.

→ See more on page 24

OUR STRATEGY

Build a platform for growth

Operational excellence

Maintain financial and operational flexibility

→ See more on page 28

OUR CULTURE

Safety is our top priority

Making it happen

Very best levels of customer service

Innovation through new products and markets

→ See more on page 48

DEAR SHAREHOLDER

While emergence of the COVID-19 pandemic has given rise to an uncertain and challenging economic environment, the Group has seen continued growth and development during 2019/20.

The Group's strategy remains unchanged and seeks to support the Group's purpose to provide a reliable alternative to ownership for our customers and create long-term value for our stakeholders.

Ensuring a robust corporate governance environment is key in supporting the delivery of our strategy and as such, it is crucial that our governance structures keep pace with changes in the Group so that we can ensure our development and growth is both responsible and sustainable. We need to manage our risks efficiently and ensure transparency across the business. I am confident that your Board is well placed to do that and we remain committed to maintaining the highest standards of corporate governance. We recognise that good governance is essential in promoting the success of the business for the benefit of its members as a whole and that our governance environment is underpinned by the culture of our Group, led by the 'tone from the top' of the organisation through the actions of the Board and senior leadership teams.

As chair, it is my role to ensure that the governance regime remains appropriately robust and that the Board operates effectively. I am, therefore, pleased to introduce the Corporate governance report for 2019/20. This report details the matters addressed by the Board and its committees during the year.

Diversity

The Board believes that diversity across the Group and at a board level supports the growth of the business and encourages a range of views in developing and implementing the Group's strategy.

At a board level, each member of our Board must be able to demonstrate the skills, experience and knowledge required to contribute to the effectiveness of the Board. We aim to ensure the skills, experience and background of our Board members both reflect the wider business and bring a mix of specialist skills and market experience and I believe the Board is appropriately balanced in that regard. We review the composition of the Board continuously to ensure it remains appropriate to support the ongoing development of the Group and in January appointed Jill Easterbrook as a non-executive director who I believe enhances the skills and experience of the Group Board. Specifically, Jill's appointment was in response to the desire for board-level expertise in the digitisation of a business as we develop the technological capabilities of the Group.

Culture

The 2018 Corporate Governance Code has emphasised the role of the Board in assessing and monitoring culture and ensuring that the Group's policies, practices and behaviour are aligned with the Group's purpose, values and strategy.

I believe that our culture is embedded within the organisation and led by the Group's executive directors. This is reflected in the Board's engagement with the business and in the information it receives.

Areas of Board focus

The Board has played an active and ongoing role in the Group's response to the COVID-19 pandemic, further details of which are set out within the Strategic review. In addition, the Board has invested significant time over the last year in reviewing and assessing:

- the efficacy of our strategy and the degree to which it remains appropriate in light of market developments, acquisitions opportunities and longer-term objectives;
- the effectiveness of our capital structure and capital allocation priorities;
- our operating model and structure to ensure they remain fit for purpose as Ashtead grows and markets change;

- the effectiveness of our health and safety practices and monitoring across the Group, and identifying areas for improvement;
- our key management resource to ensure it remains motivated and appropriately rewarded;
- succession planning and ongoing senior recruitment; and
- the UK Corporate Governance Code 2018 and the importance of good corporate governance in the long-term sustainable success of a company.

UK Corporate Governance Code 2018

In July 2018 the UK Corporate Governance Code 2018 was issued. It introduced a number of changes to corporate governance with an increased focus on the creation of long-term sustainable value, purpose, culture and employee engagement. The Board has been mindful of these changes throughout the year and this report describes how the Board has applied the principles and provisions of the new code.

Compliance

We endeavour to monitor and comply with ongoing changes in corporate governance and evolving best practice in this area. I am pleased to report that the Company has complied in full throughout the year with the UK Corporate Governance Code 2018 ('the Code'), issued by the Financial Reporting Council ('FRC') and available to view at www.frc.org.uk. Details as to how the Company has applied the principles of the Code are set out throughout this Corporate Governance report. In addition, I can confirm this report provides a fair, balanced and understandable view of the Group's position and prospects.

PAUL WALKER
Chair

CORPORATE GOVERNANCE IN PRACTICE

The UK Corporate Governance Code 2018 introduced a number of changes to corporate governance which were effective in the year. While not intended to be exhaustive, some of the ways in which the Company has applied the principles and complied with the provisions of the Code are illustrated through the examples provided within this report.

BOARD LEADERSHIP AND COMPANY PURPOSE

Role of the Board

The Board is responsible for setting the Group's strategy and ensuring the necessary resources and capabilities are in place to deliver its strategic aims and objectives. It determines the Group's key policies and reviews management and financial performance. The Group's governance framework is designed to facilitate a combination of effective, entrepreneurial and prudent management of the business.

One of the primary responsibilities of the Board is to ensure that the Company preserves value over the long term in a sustainable manner, taking into consideration both value derived for the Company's stakeholders and the Company's contribution to wider society. In setting, reviewing and ensuring the implementation of the Group's strategy, the Board ensures that these objectives are met while taking into account risks and opportunities facing the Group. These activities are underpinned by the Group's values and culture which are assessed on an ongoing basis by the Board through its interactions with Group employees.

The Group's risk management framework, as detailed on page 36, ensures that the Board considers risks on an ongoing basis and that it reviews formally the Group's risk register on an annual basis including consideration of emerging risks.

The Group's key performance indicators, as detailed on pages 34 and 35, also enable the Board to have visibility as to the progress the Group is making against its progress.

We believe that there are four key cornerstones of our culture which drive the success of our Group: a priority on safety; ensuring the best levels of customer service; working in partnership with our customers, suppliers and communities to make it happen; and being innovative in our approach both in relation to products and markets.

The Board is responsible for the culture of the Company, with its role being to influence and monitor culture to ensure that our policy, practices and behaviour throughout our entire organisation are aligned with the Company's purpose, values and strategy. Where issues are identified, it is the Board's responsibility to ensure corrective action is taken.

During the year, the Board has monitored culture in a number of ways, including:

- receiving health and safety statistics at all Board meetings, together with regular updates on the Group's activities to enhance further the culture of safety within the business;
- through the Group's employee engagement activities, details of which are provided below;
- through monitoring findings from the Group's internal audit and performance standards functions;
- receiving regular updates on whistle-blowing matters; and
- reviewing key policies including the annual updates to the Group's business ethics and conduct policy.

DELEGATED AUTHORITY

There is a schedule of matters reserved to the Board for decision while other matters are delegated to Board committees. Matters reserved for the Board include:

- treasury policy;
- acquisitions and disposals;
- appointment and removal of directors or the company secretary;
- appointment and removal of the auditor;
- approval of the annual accounts and the quarterly financial reports to shareholders;
- approval of the annual budget;
- approval of the issue of shares and debentures;
- the setting of dividend policy; and
- the buyback of shares.

Summary of the Board's work during the year

At each board meeting, the Board receives:

- a report from the chief executive providing an update on strategic, operational, business development and health and safety matters, supported by reports from the businesses;
- a report from the finance director on the financial performance and position of the Group, including treasury matters; and
- an update from the committees of the Board on matters discussed at their meetings.

The principal matters considered by the Board at each of the regular meetings during the year are shown in the table below.

Responding to the social and economic uncertainties resulting from the ongoing COVID-19 pandemic has been the key focus of the Board in recent months, ensuring that the businesses continue to act to support our employees, customers, communities, suppliers and other key stakeholders. The business, with the oversight of the Board, took immediate action to respond to the COVID-19 situation as it emerged and further details are provided throughout this report.

Engagement with stakeholders

An overview of the nature and extent of our engagement with stakeholders is provided on pages 40 and 41 of the Strategic report. In relation to the Board's activities:

Engagement with employees, customers and suppliers

We have a range of key stakeholders which the Board considers when taking important decisions. Engaging with these stakeholders is therefore critical to the Group and a key priority of the Board, and is achieved through a variety of means.

Details of our engagement with our employees, customers and suppliers is provided in the Strategic report on pages 40 and 41, the Responsible business report on pages 48 to 64 and throughout this Corporate governance report. In addition, specific details as to the way in which we have reinforced our workforce engagement in light of the revised requirements of the Code are discussed below.

Engagement with our communities

We seek to make a positive contribution to the communities in which we operate, both through our economic impact but also as a result of our community initiatives and the way in which we are involved in our communities and the support we can provide in a time of need. The Board therefore considers our communities in developing and implementing our strategy.

Details of our engagement with communities is provided in the Strategic report on pages 40 and 41 and within the Responsible business report on pages 60 and 61.

	JUNE	SEPTEMBER	OCTOBER	DECEMBER	MARCH	APRIL
Strategic and financial review						
Review of Group performance	•	•	•	•	•	•
Review of health and safety	•	•	•	•	•	•
Response to the COVID-19 pandemic					•	•
Review of strategic plan and business plan			•		•	•
Review of M&A opportunities	•	•	•	•	•	•
Risks						
Ongoing monitoring of risks	•	•	•	•	•	•
Update from Risk Committee	•			•		
Annual review of risk register	•					
Annual insurance review			•			
Governance						
Shareholder analysis	•	•	•	•	•	•
Review of feedback from shareholders and analysts	•	•	•	•	•	•
Reports from committees	•	•	•	•	•	•
Review of results announcement	•	•		•	•	
Board composition review			•			
Evaluation						
Board evaluation			•		•	

CASE STUDY:
ACQUISITION OF WILLIAM F. WHITE

The Board regularly reviews potential acquisition opportunities within each of our markets being mindful of our capital allocation priorities, stated financial policies and market opportunities. William F. White International, Inc. ('WFW'), as Canada's premier rental provider of production set and on-site equipment, services and studio facilities to the motion picture, digital media and television industries, represented an opportunity to broaden our specialty business, in light of the growing demand for media content worldwide, largely driven by the growth of streaming services.

When the opportunity to pursue the acquisition of WFW arose, the Board considered the strategic rationale in more detail with reference to the Group's strategy, market opportunity, the opportunities and risks associated with the acquisition, how the business would be incorporated into Sunbelt and the funding required for the acquisition.

In undertaking its deliberations, the Board considered various stakeholder groups which were relevant to the acquisition, including employees, customers and investors. In December 2019, following the Board's formal approval, the Group completed the acquisition of WFW for an initial cash consideration of £136m (C$234m) with contingent consideration of up to £8m (C$14m) payable depending on EBITDA meeting or exceeding certain thresholds.

JUNE 2019	SEPTEMBER 2019	DECEMBER 2019	JANUARY 2020	MARCH 2020
› Annual results announcement and presentation › Bondholder call › Investor roadshow following annual results presentation	› First quarter results announcement and presentation › Bondholder call › Annual General Meeting › Conference calls with investors following Q1 results	› Half year results announcement and presentation › Bondholder call › Investor roadshow following half year results presentation	› Investor roadshow following half year results presentation	› Third quarter results announcement and presentation › Bondholder call › Conference calls with investors following Q3 results

Dialogue with shareholders

We engage actively with analysts and investors and are open and transparent in our communications. This enables us to understand what analysts and investors think about our strategy and performance as we drive the business forward. The Board is updated regularly on the views of shareholders through briefings and reports from those who have had interaction with shareholders including the directors and the Company's brokers. Regular dialogue is maintained with analysts and investors through telephone calls, meetings, presentations, conferences and ad hoc events. During the year, senior management conducted over 450 meetings and calls, and attended seven conferences, with investors in the UK, US, Canada and Europe. This included regular interaction with private investors who often contact the Group with questions.

The chair and the senior independent non-executive director are available to meet institutional shareholders to discuss any issues or concerns in relation to the Group's governance and strategy.

The Group's results and other news releases are published via the London Stock Exchange's Regulatory News Service. In addition, these news releases are published in the Investor Relations section of the Group's website at www.ashtead-group.com. Shareholders and other interested parties can subscribe to receive these news updates by email through registering online via the website. In addition, all results and capital markets presentations are webcast live (and for playback) on the website for shareholders, analysts, employees and other interested stakeholders who are unable to attend in person.

CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING

We value meeting with private shareholders at the Company's AGM. However in light of the current circumstances, the 2020 AGM will be convened with the minimum quorum of two shareholders facilitated by the Company. Shareholders will not be able to attend the AGM in person and are encouraged to submit their votes by proxy in accordance with the instructions set out in the 2020 AGM Notice and to appoint the 'Chair of the meeting' as their proxy to vote on their behalf. All valid proxy votes will be included in the poll to be taken at the meeting, the results of which will be announced as soon as practicable after the conclusion of the AGM.

While shareholders will not be able to attend the AGM, we recognise the importance of continuing engagement in the lead-up to the meeting. Questions relating to the business of the AGM may therefore be submitted ahead of the meeting via our website (www.ashtead-group.com). Where appropriate, we will provide written answers to questions and will publish answers to frequently asked questions on the Group's website. Any further changes to the meeting arrangements will be notified via our website.

Workforce engagement

The Group employs in excess of 19,000 individuals in North America and Europe and as such, ensuring efficient, two-way workforce engagement is critical to the success of the business. Our workforce is central to the decisions the Board makes in relation to our employment policies, our culture and our strategy.

In assessing the requirements of the Code in relation to workforce engagement, we considered the methods proposed under the Code in conjunction with our existing methods of engagement. Given the nature and extent of our workforce and its geographical distribution across a large number of locations, we concluded that no single method of engagement was suitable to ensure that we engaged appropriately across the entire workforce. Instead we concluded that a combination of methods of engagement was appropriate, consistent with the approach we have taken previously, including:

- employee surveys – the latest employee survey took place in the UK in May 2019 and had a 52% response rate;
- site visits – during the year the Board members, both individually and collectively, made visits to the Group's sites and met with local employees;
- annual strategic review – in October, 25 senior North American employees attended the strategy review meeting held near Washington, D.C. providing the Board with the opportunity to meet individuals and discuss the business and strategic initiatives in detail;
- management conference – in March 2020, the Board attended the UK management conference in Manchester with c. 700 of our UK team. The event included a mixture of all-staff talks and breakout sessions, with the opportunity for employees to learn about the wide range of equipment we offer across our business and the ongoing development of customer-focused technology to enhance the customer experience. The conference launched the Sunbelt Rentals brand in the UK and programmes to address a number of the issues identified through the employee survey and a series of regional meetings held in the autumn of 2019. It provided the Board with the opportunity to engage with the UK workforce in an informal environment and understand at first hand the challenges and opportunities for the UK business; and
- 'town hall' events – throughout the year, both in-person and virtual 'town hall' events are held which provide employees with the opportunity to be briefed on the latest developments by executive management across the business and raise any questions or concerns.

In addition, a rolling programme of presentations from management across the Group, on a range of topics, ensures the Board has exposure to different employees and business functions during the year.

EMPLOYEE ENGAGEMENT IN ACTION: RESPONDING TO THE COVID-19 PANDEMIC

The Group's response to the emergence of the COVID-19 pandemic illustrates how the Group's employee engagement operates and the rapid way in which we are able to communicate and engage with our employees to ensure that the Board and business as a whole responds to the needs of our employees.

Our early employee based actions focused on ensuring health and safety was at the forefront, that our workforce received the support that it required and that domestic and international travel was suspended. In addition, we ensured clarity in our internal communication strategy and remote working capabilities for our critical functions were tested and fully operational prior to government restrictions being established.

Regular 'town hall' conference calls were held to ensure information was shared across the business in a timely fashion, led by the Group's chief executive, ensuring that our employees knew the actions being taken, the critical work being undertaken by the Group's businesses in responding to the pandemic and giving employees the opportunity to raise questions and concerns directly with senior management.

We amended or issued new employee policies and procedures to address specifically the matters arising as a result of the COVID-19 pandemic and ensured that our employees had the support they needed. In North America, feedback from employees was sought through an online employee survey while in the UK regular updates posted on our internal communication app, Interaction, provided a forum for employee feedback.

Whistle-blowing

There are policies and procedures in place whereby staff may, in confidence, report concerns about possible improprieties or breaches of Group policy or procedure in addition to reporting any concerns regarding bribery or corruption. These suspicions are investigated and the results of the investigation are, where possible, reported to the whistle-blower. The Board receives reports from the company secretary on whistle-blowing matters arising and the actions taken to address any matters arising.

DIVISION OF RESPONSIBILITIES

An appropriate division of responsibilities between Board members is critical in delivering the Group's strategic objectives. A key element in delivering this is a strong working relationship between the directors and, in particular, the chair, chief executive and finance director.

A summary of the roles of the Board members are set out below:

Chair	Paul Walker	Responsible for leadership of the Board and acts as a sounding board for the chief executive. Agrees Board agendas and ensures its effectiveness by requiring the provision of timely, accurate and clear information on all aspects of the Group's business, to enable the Board to take sound decisions and promote the success of the business.
Chief executive	Brendan Horgan	Responsible for developing the strategy for the business, in conjunction with the Board, ensuring it is implemented, and the operational management of the business.
Finance director	Michael Pratt	Supports the chief executive in developing and implementing the strategy and is responsible for the reporting of the financial and operational performance of the business.
Senior independent non-executive director	Angus Cockburn	Provides a sounding board for the chair and is available to shareholders, if they have reason for concern that contact through the normal channels of chair or chief executive has failed to resolve.
Independent non-executive directors	Jill Easterbrook Tanya Fratto Lucinda Riches Lindsley Ruth	Provide a constructive contribution to the Board by providing objective challenge and critique for executive management and insights drawn from their broad experience.

Board committees

The Board has standing Audit, Nomination and Remuneration Committees. The membership, roles and activities of the Audit, Nomination and Remuneration Committees are detailed on pages 75 and 78 to 100.

Each committee reports to, and has its terms of reference agreed by, the Board. The terms of reference of these committees are available on our website.

Finance and Administration Committee

The Finance and Administration Committee comprises Paul Walker, Brendan Horgan (chair) and Michael Pratt. The Board of directors has delegated authority to this committee to deal with routine financial and administrative matters between Board meetings. The Committee meets as necessary to perform its role and has a quorum requirement of two members with certain matters requiring the participation of the chair, including, for example, the approval of material announcements to the London Stock Exchange.

Group Risk Committee

The Group Risk Committee is chaired by Michael Pratt and comprises representatives from both Sunbelt in North America and the UK. The work of the Group risk committee is supported by the risk committees of Sunbelt in North America and the UK, which meet regularly to ensure continued focus on risks and mitigating actions. Further details of the work of the Group Risk Committee are provided in the Responsible business report on pages 48 to 50.

Commitment

As part of the appointment process, prospective directors are required to confirm that they will be able to devote sufficient time to the Company to discharge their responsibilities effectively. Furthermore, all directors are required to inform the Company of changes in their commitments to ensure that they continue to be able to devote sufficient time to the Company.

Operation of the Board

The principal activities of the Board are conducted at regular scheduled meetings of the Board and its committees. The Board normally meets six times a year, with at least two of these meetings being held in North America. This year, the travel restrictions arising as a result of the COVID-19 pandemic meant that only one Board meeting was held in North America. Additional ad hoc meetings and calls are arranged outside the scheduled meetings to take decisions or receive updates as required.

BOARD COMMITTEES

The Board is responsible for setting the Group's strategy and ensuring the necessary resources and capabilities are in place to deliver the strategic aims and objectives.

THE BOARD

- Board committee
- Non-Board committee

AUDIT COMMITTEE

Chaired by Angus Cockburn. Monitors and reviews the Group's financial reporting, relationship with the external auditor, internal control, internal audit and risk management.

→ Pages 78 to 82

NOMINATION COMMITTEE

Chaired by Paul Walker. Monitors and reviews the Board's structure, size, composition and balance and oversees the appointment and reappointment of directors.

→ Page 83

REMUNERATION COMMITTEE

Chaired by Lucinda Riches. Responsible for determining the Group's remuneration policy and its application, with specific responsibility for the remuneration of the chair and executive directors.

→ Pages 84 to 100

FINANCE AND ADMINISTRATION COMMITTEE

Chaired by Brendan Horgan. Responsible for routine finance and administrative matters between Board meetings subject to clearly defined limits delegated by the Board.

→ Page 74

GROUP RISK COMMITTEE

Chaired by Michael Pratt. Responsible for monitoring of risk across the Group, the implementation of our risk framework and reporting of Group risk and mitigating actions.

→ Page 74

The chair and chief executive maintain regular contact with the other directors to discuss matters relating to the Group and the Board receives regular reports and briefings to ensure the directors are suitably briefed to fulfil their roles. Additionally, detailed management accounts are sent monthly to all Board members and, in advance of all Board meetings, an agenda and appropriate documentation in respect of each item to be discussed is circulated.

The company secretary is responsible for ensuring compliance with board and committee procedures and advising the Board on all governance related matters. The company secretary also supports the chair in the delivery of information to directors in advance of board and committee meetings and acts as a key point of contact for the chair and non-executive directors.

Each director has access to the company secretary and is able to seek independent advice at the Company's expense.

The appointment and removal of the company secretary is a matter reserved for the Board.

COMPOSITION, SUCCESSION AND EVALUATION

Composition of the Board

The Company's Board comprises the chair, the chief executive, the finance director, the senior independent non-executive director and four other independent non-executive directors.

Each member of the Board must be able to demonstrate the skills, experience and knowledge required to contribute to the effectiveness of the Board. Short biographies of the directors are given on pages 68 and 69 detailing the skills, experience and knowledge of each of the Board members. The directors are of the view that the Board and its committees consist of directors with the appropriate balance of skills, experience, independence and knowledge of the Group to discharge their duties and responsibilities effectively.

Maintaining the appropriate mixture of skills, experience and knowledge is important to the Board, including ensuring that we address issues of diversity in terms of skills, gender, ethnicity and experience relevant to our business. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board on any changes required. During the year it recommended the appointment of Jill Easterbrook to add, amongst other things, further digital and distribution experience to the Board.

Details of the work of the Nomination Committee in relation to the composition of the Board are provided in the Nomination Committee report on page 83.

Board attendance table

	BOARD	AUDIT	NOMINATION	REMUNERATION
Chair				
Paul Walker	6/6	–	2/2	3/3
Executive				
Brendan Horgan	6/6	–	2/2	–
Michael Pratt	6/6	–	–	–
Non-executive				
Angus Cockburn	6/6	5/5	2/2	3/3
Jill Easterbrook[1]	1/2	1/1	–	0/1
Tanya Fratto[2]	6/6	2/3	2/2	3/3
Lucinda Riches	6/6	5/5	2/2	3/3
Lindsley Ruth[3]	4/6	4/5	1/2	3/3

1 Jill Easterbrook was appointed as a non-executive director on 1 January 2020. Jill was unable to attend one subsequent meeting due to a pre-existing commitment which was known at the time of her appointment.
2 Tanya Fratto was appointed to the Audit Committee in September 2019. Tanya was unable to attend one subsequent meeting due to a pre-existing commitment.
3 Lindsley Ruth was unable to attend certain board and committee meetings due to ill health.

Non-executive directors

In the recruitment of non-executive directors, it is the Company's practice to utilise the services of an external search consultancy. The approval of the Board is required before a non-executive can take on other non-executive director roles.

Non-executive directors are appointed for specified terms not exceeding three years and are subject to annual re-election and the provisions of the Companies Act 2006 relating to the removal of a director.

BOARD DIVERSITY POLICY

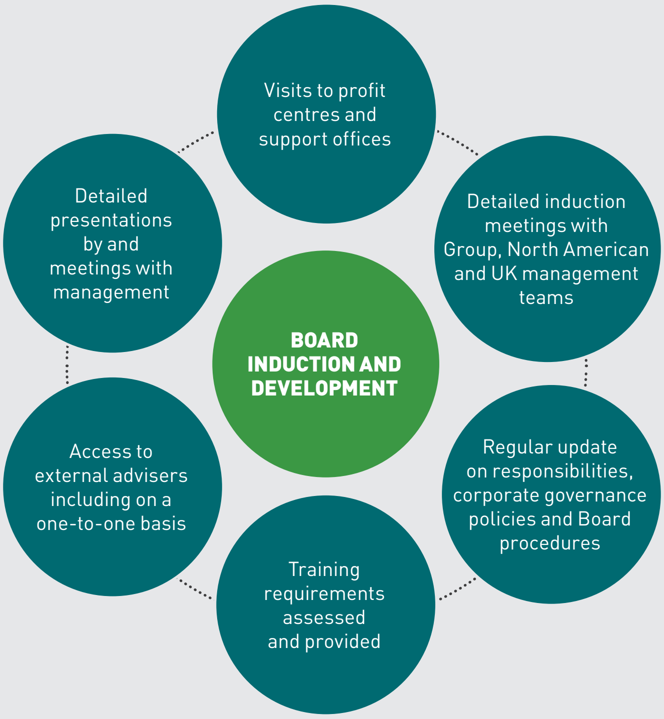
Across the Group, we aim to ensure that our workforce has a broad range of skills, background and experience while ensuring that we appoint the best people for the relevant roles. At Board level, we apply consistent principles.

The Group seeks to maintain a Board where the skills and experiences of the non-executive directors complement those of the executive directors. In this way, we aim to ensure that the skills and experiences represented on the Board reflect the business environments in which we operate and bring experience of areas of development for the Group, such as in the areas of technological development and logistics.

We do not have formal targets or quotas associated with diversity for the composition of the Board, but instead focus on ensuring the best individuals are appointed who meet the Group's needs from as wide a range of backgrounds as possible.

DEVELOPMENT AND TRAINING

All newly appointed directors undertake an induction to all parts of the Group's business. This includes visits to the Sunbelt US, UK and Canadian businesses and meetings with their management teams. The company secretary also provides directors with an overview of their responsibilities as directors, corporate governance policies and Board policies and procedures. The chair and chief executive assess regularly the development needs of the Board as a whole with the intention of identifying any additional training requirements.



Election of directors

Jill Easterbrook will offer herself for election at this year's AGM. All other directors will retire at this year's AGM and will offer themselves for re-election in accordance with the Code.

Succession planning

Succession planning for the Board and senior management continues to be an area of focus for the Board, ensuring that appropriate succession plans are reviewed and updated on a regular basis and that Board rotation is managed so that it is distributed across a number of years. The tenure of the Board of directors is illustrated in the chart below.

The success of the Group's succession planning is illustrated by the appointment on 1 May 2019 of Brendan Horgan as our Group chief executive. Brendan had been chief executive of Sunbelt in North America since 2011 and was appointed the Group's chief operating officer in January 2018.

Board evaluation

The performance of the chair, chief executive, the Board and its committees is evaluated formally annually against, amongst other things, their respective role profiles and terms of reference. The executive directors are evaluated additionally against the agreed budget for the generation of revenue, profit and value to stakeholders.

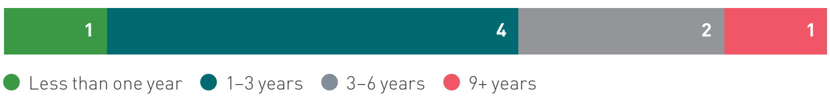
In accordance with the Code, the Board and its committees' performance is evaluated by an external third party every three years. The latest external evaluation of the Board has been undertaken this year by Duncan Reed of Condign Board, a company which has no connection with Ashtead or any individual director.

The review comprised a series of in-depth interviews with all Board members and a number of the senior management team, together with observation of the Board's conduct in meetings and a review of the documentation circulated in advance of the Board and committee meetings.

Whilst the draft report has been received which concluded that the Board was operating in an efficient and effective manner, the impact of the COVID-19 pandemic has delayed detailed discussion of the contents of the report and the implementation of the specific actions arising from it.

In the coming year the non-executive directors (including the chair) will meet in the absence of the executive directors to appraise the performance of the Board as a whole, including its committees and the executive. In accordance with the Code, the non-executive directors, led by the senior independent director, will meet in the absence of the chair to appraise his performance.

TENURE OF NON-EXECUTIVE DIRECTORS (YEARS)



AUDIT, RISK AND INTERNAL CONTROL

Audit Committee

The Board has delegated responsibility for oversight of corporate reporting, risk management and internal control and maintaining an appropriate relationship with the Group's internal and external auditors to the Audit Committee. The Audit Committee report on pages 78 to 82 contains full details of the role and activities of the Audit Committee.

Financial and business reporting

The Board is committed to providing stakeholders with a fair, balanced and understandable assessment of the Group's position and prospects. This is achieved through the Strategic report, which includes an explanation of the Group's business model, and other information included within this Annual Report. The responsibilities of the directors in respect of the preparation of this Annual Report are set out on page 104 and the auditor's report on pages 106 to 113 includes a statement by Deloitte about its reporting responsibilities. As set out on page 102, the directors are of the opinion that the Group is a going concern.

Risk management and internal control

The Board is responsible for the Group's risk management framework and internal control systems. It has established a process for identifying, evaluating and managing the principal risks faced by the Group and in identifying and responding to emerging risks. This robust process has been in place for the full financial year, is ongoing and is consistent with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published in 2014. Under its terms of reference the Group Risk Committee meets semi-annually or more frequently if required.

As described more fully on pages 36 to 39, the Group reviews and assesses the risks it faces in its business, changes in principal risks facing the Group and how these risks are managed, with consideration given to the Board's assessment of risk appetite. These reviews are conducted throughout the year in conjunction with the management teams of each of the Group's businesses and are documented in an annual risk assessment, including the updated risk register. The reviews consider whether any matters have arisen since the last report was prepared which might indicate omissions or inadequacies in that assessment. It also considers whether, as a result of changes in either the internal or external environment, any significant new risks have arisen or whether there are any emerging risks which may impact the Group.

The Group Risk Committee reviewed the draft report for 2020, which was then presented to, discussed and endorsed by the Audit Committee on 18 May 2020 and the Group Board on 11 June 2020.

The Board monitors the risk management framework and internal control systems on an ongoing basis and reviews their effectiveness formally each year.

The Group follows a three lines of defence approach to risk management with executive management responsible for the oversight and management of the first and second lines of defence while the Audit Committee takes primary responsibility for the third line of defence. The Audit Committee is supported in this activity by the Group's performance standards function and outsourced internal audit.

FIRST LINE OF DEFENCE

Business operations

- Implementation of policies and procedures
- Operational control activities

SECOND LINE OF DEFENCE

Corporate oversight

- Establishment of policies and procedures
- Monitoring of control activities
- Group Risk Committee

THIRD LINE OF DEFENCE

Independent assurance

- Internal audit
- Performance Standards
- External audit

The Board continually reassesses the effectiveness of the Group's control framework and seeks to identify ways in which to further improve and strengthen it.

As detailed further on page 81, as part of the Board's monitoring through the Audit Committee, it received reports from the operational audit teams and the outsourced internal audit function as to the existence and operation of controls, how those controls have been monitored throughout the year and considered the internal control improvement recommendations made by the Group's internal auditors and its external auditor and management's implementation plans. The control system includes written policies and control procedures, clearly drawn lines of accountability and delegation of authority, and comprehensive reporting and analysis against budgets and latest forecasts.

In a group of the size, complexity and geographical diversity of Ashtead, minor breakdowns in established control procedures can occur. There are supporting policies and procedures for investigation and management of control breakdowns at any of the Group's stores or elsewhere. The Audit Committee also meets regularly with the external auditor to discuss their work.

The Board considers that the Group's internal control systems are designed appropriately to manage, rather than eliminate, the risk of failure to achieve its business objectives. Any such control system, however, can only provide reasonable and not absolute assurance against material misstatement or loss.

REMUNERATION

Remuneration Committee

The Board has delegated responsibility for developing remuneration policy and fixing the remuneration packages of individual directors to the Remuneration Committee. The Remuneration Committee report on pages 84 to 100 contains full details of the role and activities of the Remuneration Committee.

AUDIT COMMITTEE REPORT

The Audit Committee meets regularly during the year and plays a key role in ensuring appropriate challenge and governance associated with financial reporting, risk management and control and assurance processes.

COMPOSITION

The members of the Audit Committee, each of whom is independent, have been chosen to provide the wide range of financial and commercial experience needed to undertake its duties and each member of the Audit Committee brings an appropriate mix of senior financial and commercial experience, combined with a thorough understanding of the Group's business. As chair of the Audit Committee, Angus Cockburn has recent and relevant financial experience, having held a number of senior international finance roles, including his current executive role as chief financial officer of Serco Group plc. Details of the experience of each member of the Audit Committee is provided on pages 68 and 69.

Eric Watkins is secretary to the Committee. Paul Walker, Brendan Horgan, Michael Pratt and the Group's Director of Group Finance attend meetings by invitation. In addition, the Group's outsourced internal audit partner and external audit partner attend the Committee's meetings.

The Audit Committee's terms of reference are available on the Group's website.

I am pleased to introduce the report of the Audit Committee for 2019/20. The Committee assists the Board in discharging its responsibility for oversight and monitoring of financial reporting, risk management and internal control. As chair of the Committee, it is my responsibility to ensure that the Committee fulfils its responsibilities in a rigorous and effective manner. The Committee's agenda is designed, in conjunction with the Board's, to ensure that all significant areas of risk are covered and to enable it to provide timely input to Board deliberations.

In 2019/20, the Committee's main activities related to the Group's implementation of IFRS 16, Leases ('IFRS 16') and ensuring the continued effectiveness of the Group's financial controls and assurance programme. I am satisfied that the Committee was provided with good quality and timely material to allow proper consideration to be given to the topics under review. I am also satisfied that the meetings were scheduled to allow sufficient time to ensure all matters were considered fully.

In addition, the impact of the COVID-19 pandemic meant that from mid-March 2020, remote working practices were implemented for our support office locations and the Group's head office. This resulted in the amendment of certain business processes during the year-end, the completion of the external audit on a remote basis and a greater reliance on video technology for the completion of key meetings.

The Committee maintained regular dialogue with the management team throughout the year-end process to understand how business processes and controls continued to operate effectively to ensure the timely and accurate preparation of financial information. In addition, the Committee received an update from the external auditor in May 2020 as to how the external audit was responding to the changes in business processes and the impact on the wider business environment.

The external auditors confirmed in their final report to the Committee that they had performed all necessary additional procedures in response to the outbreak of COVID-19 to complete their audit work satisfactorily.

For the forthcoming year, the Committee will continue to focus on the effectiveness of the Group's financial controls and assurance programme and the continued integrity of financial reporting. This will include consideration of developments from independent reviews such as the review led by Sir Donald Brydon, and the impact of the recommendations on the Group's internal control framework and the audit profession.

One of the Code's principles is that the Board should present a fair, balanced and understandable assessment of the Company's position and prospects through its financial reporting. We have always sought to ensure our financial and other external reporting is fair, balanced and understandable. The Committee has kept this principle at the forefront of its thought process as it reviewed all the Company's financial reports in advance of publication and is satisfied that they provide a fair, balanced and understandable assessment of the Company's position and prospects.

ANGUS COCKBURN
Chair of the Audit Committee

ROLE OF THE AUDIT COMMITTEE

The Audit Committee assists the Board in its oversight and monitoring of financial reporting, risk management and internal controls.

The principal responsibilities of the Committee are to:

- monitor the integrity of the quarterly and annual results, including a review of the significant financial reporting judgements contained therein;
- establish and oversee the Company's relationship with the external auditor, including the external audit process, their audit and non-audit fees and independence and make recommendations to the Board on the appointment of the external auditor;
- review and assess the effectiveness of the Company's internal financial controls and internal control and risk management systems;
- oversee the nature, scope and effectiveness of the internal audit work undertaken; and
- monitor the Company's policies and procedures for handling allegations from whistle-blowers.

The Committee reports to the Board on its activities and minutes of meetings are available to the Board.

MAIN ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The Committee met on five occasions during the year. Meetings are scheduled to coincide with our financial reporting cycle, with four regular meetings scheduled prior to our quarterly, half-year and annual results announcements and the fifth meeting scheduled outside this timetable to enable a formal annual review of the Group's risk register and the work undertaken by the Board throughout the year in reviewing these risks. The Group audit partner from Deloitte and the head of outsourced internal audit from PwC (or their designate) attends all meetings of the Committee.

At each Audit Committee meeting, the Committee receives papers from management which comment on the principal balances in the financial statements and discusses any significant judgements and matters of a financial reporting nature arising since the last meeting. In the current year, these have included consideration of:

- the application of routine period-end accounting policies and procedures;
- the finalisation of the approach taken and judgements made in relation to the application of IFRS 16, which was effective for the Group from 1 May 2019; and
- the going concern and viability statement to ensure that they are appropriate, are based upon suitable assumptions and consider the risks to which the Group is exposed appropriately.

We typically receive reports from Deloitte at three of the meetings. The first, in December, contains the results of Deloitte's review of our half-year results. The half-year review also informs Deloitte's planning for the annual audit. Their full audit plan and proposed audit fee is presented to the February/March meeting of the Committee. Deloitte's final report of the year is at the June committee meeting when we review the draft annual report. Deloitte's report contains the findings from their audit work, including comments on the draft annual report. In the current year, the Committee also received an update from Deloitte in May 2020 in light of the impact of the COVID-19 pandemic on the audit. The Committee is responsible for the Group's relationship with the external auditor, including assessing the audit plan, monitoring independence and effectiveness.

The effectiveness of the Group's financial controls and assurance programme has been a further area of focus in the current year in light of the ongoing independent reviews in this area such as that led by Sir Donald Brydon. The Committee is responsible for ensuring the scope of the Group's internal audit activities remains appropriate and ensuring appropriate actions are taken to address any control observations raised. PwC presented their internal audit plan at the December meeting and reported their findings to the May Audit Committee meeting.

Further details of the activities of the Audit Committee during the year are set out on following page.

FAIR, BALANCED AND UNDERSTANDABLE

As part of its responsibilities, the Board has requested that the Audit Committee assess whether, in its opinion, the Annual Report & Accounts 2020, taken as a whole, is a fair, balanced and understandable presentation of the Group's position and prospects.

In making its assessment, the Audit Committee considered a number of factors, including:

- whether the narrative reporting on the performance of the business is consistent with the financial statements presented;
- whether the information presented is complete with no information omitted that should have been included to enable a user to understand the business, its performance and its prospects;
- considering the KPIs utilised by the Group, including alternative performance measures, to ensure that these best reflect its strategic priorities and fairly present business performance;
- assessing areas of judgement which were considered by the Audit Committee during the year and whether these are highlighted appropriately within the Annual Report;
- the outcome of meetings held during the year with Deloitte as external auditor and PwC as internal auditor to discuss qualitative accounting judgements and overall controls. The meetings cover suitability, consistency of application in year and across periods and accounting practices of industry peers; and
- assessing whether the report is clear and understandable, with appropriate narrative given to present the whole story. Specific consideration was given to the impact of the COVID-19 pandemic on the Group, both in the short term and its potential consequences for the longer term.

Following its review, the Committee concluded that the Annual Report & Accounts 2020 are representative of the Group and its performance during the year and that the Annual Report & Accounts 2020 present a fair, balanced and understandable overview.

Integrity of financial reporting

We reviewed the integrity of the quarterly and annual financial statements of the Company. This included the review and discussion of papers prepared by management and took account of the views of the external auditor. The key areas reviewed in the current year are set out in the table below.

In addition, the Committee also considered the following matters during the course of the year:

- the adoption of IFRS 16, which was effective from 1 May 2019, resulting in the recognition of a right-of-use asset and a lease liability reflecting future lease payments on the balance sheet for all lease contracts other than short-term leases and leases of low-value assets. In the income statement, a depreciation charge on the right-of-use asset and an interest expense has been recognised on the lease liability, replacing the previously recognised operating lease charge.

  Following work undertaken in the prior year, the Committee finalised its review of the implementation of IFRS 16. In assessing the impact of IFRS 16, the Committee considered management's key judgements in adoption, including:

  - transition approach: the Group elected to apply IFRS 16 using the modified retrospective approach, with the lease liability equal to the right-of-use asset on transition;
  - recognition exemption options: short-term and low-value assets were excluded from the lease liability as permitted by IFRS 16;
  - lease term: most of the Group's leases relate to properties and our lease terms typically include options, at our sole discretion, to extend or terminate the lease. The Committee considered management's assessment of the likelihood for the Group to exercise these renewal or termination options in valuing the Group's lease liability and concluded that recognition of the maximum lease term best reflects the Group's assessment of the options available to it; and
  - discount rate: considered the methodology applied in determining the discount rate applicable to calculating the lease liability, with use of an incremental borrowing rate approach.

    IFRS 16 had a material impact on the Group's assets and liabilities as leases are capitalised and operating lease charges are replaced with depreciation and interest, with the right-of-use asset and initial lease liability of £883m recognised on transition.

    Further details are set out in Notes 2 and 17 of the financial statements;

- reviewed the Group's key controls across each of its principal business cycles to assess the Group's overall assurance framework. As part of this process, the Committee decided to review and re-document end-to-end controls across the principal financial cycles in preparation for any changes which arise as a result of the independent reviews being undertaken into audit, its quality and effectiveness, such as the review led by Sir Donald Brydon; and
- reviewed the Group's tax strategy and received an update on tax compliance matters.

KEY AREA	RESPONSE	AUDIT COMMITTEE CONCLUSION
Carrying value of rental fleet The carrying value of the Group's rental fleet of £5,890m (2019: £5,413m) makes up 56% (2019: 65%) of the Group's gross assets. Both the useful lives and residual values assigned requires the exercise of judgement by management.	Management undertakes an annual review of the appropriateness of the useful lives and residual values assigned to property, plant and equipment and assesses whether they continue to be appropriate and whether there are any indications of impairment. Among other things this review considers the level of gains on disposal and age of assets at the date of disposal along with the level of second-hand values, while taking into account the impact of the economic cycle.	The Committee is satisfied that the judgements taken are appropriate and that these are consistent with prior years. Specific consideration was given to whether the COVID-19 pandemic had any impact on the carrying value of the rental fleet but the Committee was satisfied that there were no unique factors which affected the estimated useful economic life or residual value of our assets.
Going concern and financing activities The Group requires ongoing access to its financing arrangements to enable it to benefit from growth opportunities. During the year, the Group issued \$1.2bn of senior notes (retiring \$500m of senior notes due in 2024) and entered into a 12-month \$500m incremental facility under the Group's asset-based lending facility.	Management reviewed the appropriateness of the going concern assumption in preparing the financial statements. The Committee reviewed a paper prepared by management which considered the Group's internal budgets and forecasts of future performance, available financing facilities and facility headroom. In addition, we reviewed scenario planning in assessing the Group's viability over the medium term, including sensitivity analysis in light of market uncertainties presented by COVID-19. These sensitivities included a more significant and sustained period of revenue reduction and increased irrecoverability of receivables, while taking account of reasonable mitigating actions. Taking account of reasonably possible changes in trading performance, used equipment values and other factors that might affect availability, the Group expects to maintain significant headroom under its borrowing facilities for the forthcoming year.	The Committee is satisfied that the going concern basis of preparation continues to be appropriate in preparing the financial statements.
Goodwill impairment review The Group's strategy includes growth through bolt-on M&A activity as a result of which goodwill arises. The carrying value of goodwill at 30 April 2020 is £1,340m (2019: £1,145m).	The Group undertakes a formal goodwill impairment review as at 30 April each year. This is based on the latest approved budget and three-year plans for the US, UK and Canadian businesses. The Group classifies certain specialty businesses as separate cash-generating units ('CGUs'), due to them generating separately identifiable cash flows.	We are satisfied that the CGUs are appropriate to the Group and that there is no impairment of the carrying value of goodwill in the CGUs of Sunbelt US, Sunbelt UK or Sunbelt Canada. Further details are provided in Note 14 to the financial statements.

EXTERNAL AUDIT

External audit effectiveness

The Committee conducted an assessment of the effectiveness of the audit of the 2020 financial statements, based on its own experience and drawing on input from senior corporate management and senior finance management across the Group. The review was based on questionnaires completed by the members of the Committee and senior management. The questionnaires focused on the quality and experience of the team assigned to the audit, the robustness of the audit process, the quality of delivery and communication and governance and independence of the audit firm. This review also considers the role of management in the audit process and therefore enables the Audit Committee to form a view of management's role in ensuring the effectiveness of the external audit.

The questionnaires used enable the Audit Committee to gain a thorough insight into the audit process with sufficient detail to establish an informed view of the audit process across the business and as such form a view as to the effectiveness of the external audit.

The feedback received was positive and recognised an appropriate focus on the principal risks. Furthermore, the audit work continued to be completed in a rigorous and sceptical manner despite the challenges arising from remote working practices enforced as a result of the COVID-19 pandemic. At its meeting in June, the Committee discussed the results from the questionnaires and the audit process more generally. As a result of these considerations, the Committee is satisfied that the audit process and strategy for the audit of the 2020 financial statements was effective.

Reappointment of external auditor

Deloitte was appointed external auditor in 2004. The external auditor is required to rotate the audit partner responsible for the Group audit every five years and this year is William Smith's second year as lead audit partner.

The Committee considers the reappointment of the external auditor each year and is recommending to the Board that a proposal be put to shareholders at the 2020 AGM for the re-appointment of Deloitte. There are no contractual restrictions on the Company's choice of external auditor and in making its recommendation the Committee took into account, amongst other matters, the tenure, objectivity and independence of Deloitte, as noted above, and its continuing effectiveness and cost.

The Company has complied with the provisions of the Competition and Market Authority's Order on audit tendering and rotation for the financial year under review. Under the transitional arrangements, the Group is not required to rotate its auditor until after the April 2023 year end. We considered formally whether to conduct a tender for the audit in 2017 to coincide with the rotation of Deloitte's lead audit partner for the 2019 audit. We concluded that Deloitte continued to undertake an effective audit and we would not tender for the 2019 audit. We continue to be satisfied that this remains appropriate and expect to tender the audit in 2022/23 for the 2024 audit.

Non-audit services and external auditor independence

The Audit Committee monitors the nature and extent of non-audit services on a regular basis to ensure the provision of non-audit services is within the Group's policy and does not impair the auditor's objectivity or independence. Whilst the use of the Group's auditor for non-audit services is not prohibited, the Group typically elects to use an alternative adviser but accepts that certain work of a non-audit nature is best undertaken by the external auditor.

We were again satisfied that non-audit services were in line with our policy and did not detract from the objectivity and independence of the external auditor.

The non-audit fees paid to the Company's auditor, Deloitte LLP, for the year relate to their review of the Company's interim results and completion of work associated with the Group's refinancings typically undertaken by the auditor. Details of the fees payable to the external auditor are given in Note 4 to the financial statements. Non-audit fees represented 14% of the audit fee in the year.

INTERNAL AUDIT

The internal operational audit teams in each business undertake operational audits across the store network using a risk-based methodology. Each year we agree the scope of work and the coverage in the audit plan at the start of the year and receive formal reports on the results of the work at the half year and full year. During the year 500 audits were completed, which is consistent with our goal for each of our 1,100 stores to receive an audit visit at least once every two years. The audits are scored and action plans agreed with store management to remedy identified weaknesses. This continual process of reinforcement is key to the store level control environment.

In addition, our outsourced internal audit function undertakes audit work in relation to our accounting and support office functions, including testing of our general IT controls. The Committee is responsible for the Group's relationship with the internal auditor, ensuring the scope of work is appropriate to the Group and that findings are considered and actioned appropriately. The Committee receives regular updates from the internal auditor throughout the year as to the status of work and findings arising.

In the current year, internal audit work of the accounting and support office functions has focused on the design, implementation and operating effectiveness of controls relating to revenue, payroll, lease accounting, the financial close process and general IT controls, including cyber security. The scope of the work undertaken by our outsourced internal audit function is designed to provide coverage of our key controls across the principal financial cycles on a rotational basis and be complementary to management's assurance processes and the work of the external auditor.

The internal auditor prepares detailed reports which are discussed with management and against which detailed action plans are agreed. Key matters are highlighted to the Audit Committee through reports presented at Audit Committee meetings and the Audit Committee receives regular updates as to the status of open recommendations.

Internal audit effectiveness

The Audit Committee conducts an annual assessment of the scope of internal audit and the effectiveness of the internal auditor's work. The review is based on the Committee's engagement with the internal auditor and feedback from management. An area of focus for 2020/21 will be ensuring the internal audit work undertaken is phased appropriately throughout the year. As a result of the review of internal audit effectiveness, the Committee is satisfied that the scope of work and its effectiveness is appropriate.

FINANCIAL CONTROL AND RISK MANAGEMENT

The Company's objective is to maintain a strong control environment which minimises the financial risk faced by the business. It is the Committee's responsibility to review and assess the effectiveness of the Company's internal financial controls and internal control and risk management factors.

In relation to internal financial control, the Group's control and monitoring procedures include:

- the maintenance and production of accurate and timely financial management information, including a monthly profit and loss account and selected balance sheet data for each store;
- the control of key financial risks through clearly laid down authority levels and proper segregation of accounting duties at the Group's accounting support centres;
- the preparation of a monthly financial report to the Board;
- the preparation of an annual budget and periodic update forecasts which are reviewed by the executive directors and then by the Board;
- a programme of rental equipment inventories and full inventory counts conducted at each store by equipment type and independently checked on a sample basis by our operational auditors and external auditor;
- detailed internal audits at the Group's major accounting centres undertaken by internal audit specialists from a major international accounting firm;
- comprehensive audits at each store generally carried out at least every two years by internal operational audit. A summary of this work is provided semi-annually to the Audit Committee; and
- whistle-blowing procedures by which staff may, in confidence, raise concerns about possible improprieties or breaches of company policy or procedure.

The Committee receives regular reports from internal operational audit, outsourced internal audit and the Group Risk Committee. The Group's risk management processes are an area of focus as they adapt to reflect changes to our risk profile as a result of our significant growth, both organic and through bolt-on acquisitions.

VIABILITY STATEMENT

The Committee discussed management's approach to the viability statement and reviewed the work undertaken by management and reviewed a paper summarising their conclusions and proposed statement. The statement was agreed at the June meeting and is included on page 39.

NOMINATION COMMITTEE REPORT

The Nomination Committee meets as and when required to consider the structure, size and composition of the Board of directors. The Committee's primary focus during the year remained succession planning.

The members of the Nomination Committee are Paul Walker (Chair), Brendan Horgan, Angus Cockburn, Jill Easterbrook, Tanya Fratto, Lucinda Riches and Lindsley Ruth. Eric Watkins is secretary to the Committee.

The Nomination Committee's terms of reference are available on the Group's website.

ROLE OF THE NOMINATION COMMITTEE

The principal duties of the Committee are making recommendations to the Board on:

- the Board's structure, size, composition and balance; and
- the appointment, reappointment, retirement or continuation of any director.

Neither the chair of the Board nor the Group chief executive serving on the Nomination Committee is permitted to participate in the appointment of their respective successors.

MAIN ACTIVITIES OF THE NOMINATION COMMITTEE DURING THE YEAR

In January 2020 after an extensive search, and having been interviewed by each member of the Committee, Jill Easterbrook was appointed as a non-executive director and a member of the Audit, Remuneration and Nomination Committees.

Jill has extensive knowledge of digital platforms within retail environments, having previously been the chief executive officer of JP Boden & Co and having formally held a number of senior roles with Tesco PLC.

Other matters addressed by the Nomination Committee during the year included:

Reappointment of directors

The Committee unanimously recommends the election/re-election of each of the directors at the 2020 AGM. In making this recommendation, we evaluated each director in terms of their performance, commitment to the role, and capacity to discharge their responsibilities effectively, given their other external time commitments and responsibilities.

Board composition and diversity

Our objective is to have a broad range of skills, background and experience within the Board as we believe that this ensures the Board is best placed to serve the Company. While we will continue to ensure that we appoint the best people for the relevant roles, we recognise the benefits of diversity in ensuring a mix of views and providing a broad perspective.

The Group's gender diversity statistics are set out within our Responsible business report including details of its approach to diversity and equal opportunities across the Group. At board level, three out of eight of our Board roles are held by women but we note that diversity extends beyond the measureable statistics of gender and ethnicity. As such, while we do not set any particular targets, we continue to take diversity in its wider context into account when considering any particular appointment.

BOARD APPOINTMENT PROCESS

When considering the recruitment of a new director, the Committee considers the required balance of skills, knowledge, experience and diversity to ensure that any new appointment adds to the overall board composition. The Committee utilises the services of independent external advisers to facilitate the search based on the criteria determined by the Committee for the role.

PAUL WALKER
Chair of the Nomination Committee

REMUNERATION REPORT

REMUNERATION AT A GLANCE

ASHTEAD'S REMUNERATION PHILOSOPHY

Our remuneration philosophy aligns with our strategic priorities:

BUILD A BROAD PLATFORM FOR GROWTH

OPERATIONAL EXCELLENCE

MAINTAIN FINANCIAL AND OPERATIONAL FLEXIBILITY

Remuneration structures balance growing earnings, delivering strong RoI, whilst maintaining leverage discipline.

Executives are incentivised to optimise business performance through the economic cycle and build a stronger underlying business with sustainable long-term shareholder value creation.

Aligning short-term and long-term reward promotes the alignment of executive and shareholder interests.

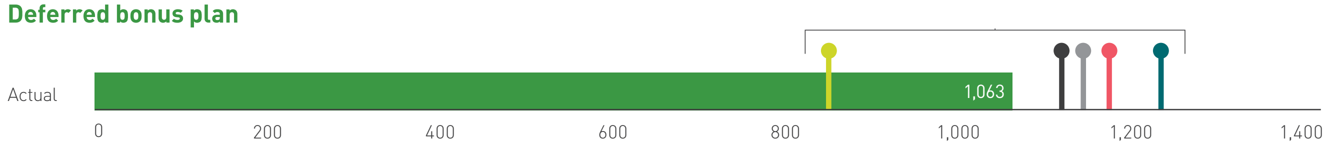
OVERVIEW OF THE REMUNERATION POLICY

The remuneration policy is predominantly weighted towards performance-related pay. A significant portion of this is long term and remains at risk once awarded.

REMUNERATION	IMPLEMENTATION OF POLICY
Base salary	– Salary increases in May 2019 of 3% for the chief executive (aligned with the general workforce) and 5% for the finance director (reflecting progression in role) – No increase proposed for 2020/21
Benefits and pension	– Market competitive benefits package – Co-match under the US 401K defined contribution pension plan and 409A deferred compensation plan for the chief executive (c. 2% of salary) and cash allowance in lieu for the finance director (15% of salary)
Deferred bonus plan	– Maximum opportunity of 225% of base salary (target 50% of maximum) – Based on Group underlying pre-tax profit – Participants can receive two-thirds of the combined total of their earned bonus for the current year and the value of any share equivalent awards brought forward from the previous year. The other one-third is compulsorily deferred into new share equivalents and subject to forfeiture
Performance share plan	– Award levels of 200% salary for the chief executive and 150% for the finance director (below the plan maximum of 250% of salary) – Awards vest after three years subject to relative TSR, EPS, RoI and leverage targets – Vested shares are held for a further two years
Shareholding guidelines	– Shareholding requirement of 300% of salary for the chief executive and 200% of salary for the finance director, to be built and maintained whilst in employment and for a period of two years post-cessation

PERFORMANCE OUTCOMES FOR 2019/20

Deferred bonus plan



Ashtead DBP = nil pay-out

● Forfeiture ● Entry ● Threshold ● Target ● Maximum

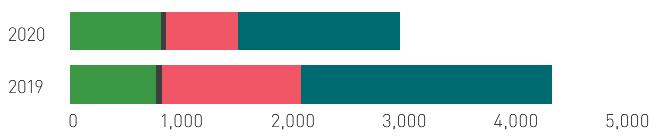
Performance share plan

	Target range	Ashtead's performance
Relative total shareholder return (40% weighting)	**Median to upper quartile**	**Upper quartile**
Earnings per share (25% weighting)	**6–12% CAGR**	**19% CAGR**
RoI (25% weighting)	**10–15%**	**15% RoI**
Leverage (10% weighting)	**< 2.0 times**	**Average 1.8 times**

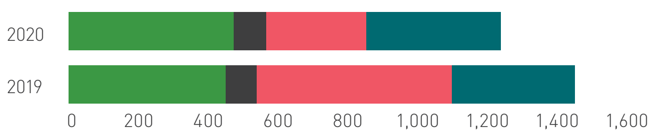
Ashtead PSP = 100% vesting

REMUNERATION OUTCOMES

Chief Executive – Brendan Horgan (£'000)



Finance Director – Michael Pratt (£'000)



● Salary ● Pension and benefits ● DBP ● PSP

EXECUTIVE DIRECTOR SHAREHOLDINGS

Chief Executive – Brendan Horgan

400,884
SHARES HELD OUTRIGHT

1,027%
PERCENTAGE OF BASE SALARY

Finance Director – Michael Pratt

271,087
SHARES HELD OUTRIGHT

1,201%
PERCENTAGE OF BASE SALARY

The Remuneration Committee ensures that executive remuneration aligns appropriately with the business strategy and that the remuneration policy remains appropriate.

The members of the Remuneration Committee are Lucinda Riches (Chair), Angus Cockburn, Jill Easterbrook, Tanya Fratto and Lindsley Ruth. Eric Watkins is secretary to the Committee.

The Remuneration Committee's terms of reference are available on the Group's website.

DEAR SHAREHOLDER

I am pleased to present the Remuneration Report for 2020 following another year of strong performance for the Group.

Company performance

The Group's performance for the current year reflects the impact of the COVID-19 pandemic. Until the impact of the pandemic was felt, the Group was on track to deliver another year of industry-leading growth and performance. However, the events that followed, including the actions of governments in the jurisdictions in which we operate, resulted in a substantial decline in business in the fourth quarter of the year.

Salary and fees

Each year the Committee determines the salary levels, bonus and long-term incentive targets for the executive directors. In addition, the Committee reviews the proposed salary increases for the wider workforce and the bonus proposals for each of the businesses. In doing so, the Committee seeks to ensure a consistent reward structure throughout the Group.

In light of the continuing market uncertainties and with support from the executives, the Committee has determined that there will be no increase in executive directors' salaries for 2020/21. Similarly, the fees for our chair and the non-executives will remain at last year's levels.

Deferred Bonus Plan

Brendan Horgan and Michael Pratt participate in the Group's Deferred Bonus Plan ('DBP') where performance is measured by reference to Group underlying pre-tax profit, excluding the impact of IFRS 16. The bonus targets for 2019/20 and the performance relative to them are set out in Table 01.

When the Company sets its budgets and consequently its bonus targets prior to the commencement of the financial year it does so at the prevailing exchange rate at that time and assumes that rate remains constant throughout the financial year. The budgeted exchange rate for the financial year was £1:$1.30.

For the purpose of the DBP, the Company has and will continue to measure performance using the budgeted exchange rates. This ensures that the executives do not enjoy any benefit or suffer any detriment from fluctuations in the exchange rate. Whilst reported Group underlying pre-tax profit, excluding IFRS 16, was £1,091m, at budgeted exchange rates this equated to £1,063m and it is the latter figure upon which the executives' bonuses have been assessed.

The Committee is extremely grateful to its workforce as a whole and its executive directors in particular who have worked tirelessly to deliver an outstanding performance notwithstanding the material impact of COVID-19. As at the middle of March the Group was on track to deliver above target performance, but the temporary decline in business performance in the final quarter means that the threshold set at the start of the year was not met. Notwithstanding the uncontrollable nature of the pandemic, the Committee determined reluctantly not to exercise the discretion available to it under the approved remuneration policy to amend the targets. As a result, the executive directors will receive no bonus payments for the 2019/20 financial year.

The executive directors will receive payments under the deferred element of the plan, details of which appear at page 94.

2017 Performance Share Plan award vesting

The sustained long-term performance of the Company is reflected in the full vesting of the 2017 Performance Share Plan ('PSP') award. The award will vest on the completion of the three-year vesting period in June 2020. Table 02 sets out the performance conditions and targets, weightings, actual performance and associated level of vesting.

The remuneration outcomes for the year reflect the strong performance, which continues to be delivered by the Company and its high-performing executive team.

01 DEFERRED BONUS PLAN

	Group pre-tax profit
Forfeiture	£850m
Entry	£1,120m
Threshold	£1,145m
Target	£1,175m
Maximum	£1,235m
Actual – reported excluding IFRS 16	**£1,091m**
Actual – budgeted exchange rates excluding IFRS 16	**£1,063m**

02 2017 PERFORMANCE SHARE PLAN AWARD VESTING

Measure	Weighting of award to measure	Threshold level of vesting (25%)	Maximum level of vesting (100%)	Actual	% of element of award vesting
TSR	40%	Median	Upper quartile	Upper quartile	40%
EPS growth	25%	6% CAGR	12% CAGR	19% CAGR	25%
RoI	25%	10%	15%	15%	25%
Leverage	10%	<2.0 times		Average 1.8	10%
					100%

2020 Performance Share Plan award

The Committee has said for a number of years that its PSP performance targets are 'through the cycle' targets and as such will not be amended on the up cycle or the down cycle. Notwithstanding the challenges that will be presented by the fallout from the pandemic, the Committee continues to believe that through the cycle targets remain the most appropriate measures for a cyclical business and will retain the targets detailed above for its 2020 award.

As at the date of this report the share price is 24% higher than it was at the same time last year and this coupled with the unchanged performance targets has led the Committee to decide that the level of awards for executive directors will remain unchanged for the 2020 award.

Leavers

As reported in our 2019 Annual Report, Geoff Drabble stepped down from the Board as Group chief executive on 1 May 2019 after 12 years in the role and retired from the Company on 30 November 2019. As previously reported, Geoff will be treated as a good leaver under the Performance Share Plan (PSP). See page 96 for further details on payments to former directors.

Future years

The Committee is cognisant of the fact that 91% of its revenue and 98% of its profit are generated from its North American business. The Group seeks to retain and recruit the most talented people in all the jurisdictions in which it operates and its remuneration package, particularly, but not exclusively, in North America has fallen behind current market practice making the retention and recruitment of talent a significant challenge.

The Group, having achieved the objectives set out in its strategic 2021 plan, will be launching its next strategic plan in the coming year. The plan will be ambitious and challenging and it will be crucial to the success of that plan that an appropriate remuneration and incentive structure is in place. My colleagues and I will be consulting with the Group's major shareholders well in advance of any proposed changes to the Group's remuneration policy.

The Committee will continue to focus its remuneration policy implementation on:

- supporting the Group's strategy over the next stage of its development;
- attracting, retaining and motivating the executive directors who are critical to executing the business strategy and driving the continued creation of shareholder value;
- ensuring the remuneration is competitive against companies of similar size and complexity; and
- retaining and attracting strong leadership, both in North America and the UK, while being cognisant of the views of the Group's shareholders and listing environment.

The Committee will continue to have regard to pay and employment conditions across the Group, especially when determining salary increases.

Conclusion

The key decisions relating to Group remuneration in the current year are set out below:

- the Group chief executive and Group finance director salaries will be maintained at existing levels;
- no bonuses will be awarded to executive directors under the deferred bonus plan for 2019/20 performance;
- the 2017 PSP award will vest in full on 19 June; and
- there will be no changes to the quantum of the 2020 PSP award made to the executive directors and the performance targets will remain the same.

At this year's AGM there will be a single resolution in respect of the implementation of the remuneration policy, details of which are more fully set out in the Notice of Meeting.

I believe the decisions made by the Committee both reflect and build on the constructive shareholder dialogue which I intend to continue going forward. I hope you will agree and will therefore be able to vote in favour of this year's Remuneration report.

LUCINDA RICHES
Chair of the Remuneration Committee

INTRODUCTION

This report has been prepared in accordance with the Listing Rules of the Financial Conduct Authority, the relevant sections of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Regulations'). It explains how the Board has applied the Principles of Good Governance relating to directors' remuneration, as set out in the UK Corporate Governance Code. The Regulations require the auditor to report to the Company's members on elements of the Directors' remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006. The audited information is included on pages 93 to 97.

An ordinary resolution concerning the Directors' remuneration report (excluding the remuneration policy) will be put to shareholders at the AGM on 8 September 2020.

REMUNERATION POLICY

During the 2019/20 financial year, the Committee reviewed its approach to remuneration against the provisions of paragraph 40 of the Code, and concluded that the remuneration policy and practices appropriately address the six pillars of: clarity; simplicity; risk, predictability; proportionality; and alignment to culture.

The remuneration policy is simple and well understood, and remuneration disclosures are drafted in the spirit of transparency. Remuneration practices reinforce the Group's culture, while the selection of incentive measures align with the Group's strategy. Targets are set to be sufficiently stretching to ensure poor performance is not rewarded, but without being so stretching as to encourage and reward excessive risk taking. The Committee also retains appropriate discretion to adjust formulaic bonus and PSP outcomes, where these would otherwise result in outcomes that are not aligned with stakeholders' experience.

No changes to the policy or its implementation were made during the year and the policy was operated as set out below. Despite the continued strong and resilient performance of the business, the COVID-19 pandemic had a material impact on fourth quarter performance resulting in lower overall reward outcomes for the executive directors compared to previous years. The Committee will keep the policy under review to ensure it appropriately incentivises and rewards strong performance going forward and, in the context of the expected launch in 2021 of the Group's next strategic plan, that it continues to support the strategy. Major shareholders will be consulted in advance on any proposed changes.

The Group's remuneration policy

BASE SALARY			
Link to strategy	**Operation**	**Maximum potential value**	**Performance conditions and assessment**
The purpose of the base salary is to attract and retain directors of the high calibre needed to deliver the long-term success of the Group without paying more than is necessary to fill the role.	Ordinarily, base salary is set annually and is payable on a monthly basis. An executive director's base salary is determined by the Committee. In deciding appropriate levels, the Committee considers the experience and performance of individuals and relationships across the Board and seeks to be competitive using information drawn from both internal and external sources and taking account of pay and conditions elsewhere in the Company. The comparator group currently used to inform decisions on base salary is principally the FTSE 50 to 100 as these organisations reflect the size and index positioning of the Company. The Committee intends to review the comparator group each year, to ensure this remains appropriate, and any changes would be disclosed to shareholders in setting out the operation of the policy for the subsequent year. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the policy level until they become established in their role. In such cases subsequent increases in salary may be higher until the target positioning is achieved.	The policy for salary is around the median level for comparable positions in relation to the comparator groups. Increases will normally be in line with both the market and typical increases for other employees across the Group. Details of the executive directors' salaries, and any increases awarded will be set out in the statement of implementation of remuneration policy for the following financial year.	N/A

BENEFITS

Link to strategy	Operation	Maximum potential value	Performance conditions and assessment
To provide competitive employment benefits.	The executive directors' benefits will generally include medical insurance, life cover, car allowance and travel and accommodation allowances. The type and level of benefits provided is reviewed periodically to ensure they remain market competitive.	The maximum will be set at the cost of providing the listed benefits.	N/A

PENSION

Link to strategy	Operation	Maximum potential value	Performance conditions and assessment
To provide a competitive retirement benefit.	The Company makes pension contributions (or pays a salary supplement in lieu of pension contributions) of up to 15% of an executive's base salary.	The maximum contribution is 15% of salary. For new directors, the contribution will be aligned with the average UK employee contribution.	N/A

DEFERRED BONUS PLAN ('DBP')

Link to strategy	Operation	Maximum potential value	Performance conditions and assessment
The purpose of the DBP is to incentivise executives to deliver stretching annual financial performance while aligning short-term and long-term reward through compulsory deferral of a proportion into share equivalents. This promotes the alignment of executive and shareholder interests.	The DBP runs for consecutive three-year periods with a significant proportion of any earned bonus being compulsorily deferred into share equivalents. Based on achievement of annual performance targets, participants receive two-thirds of the combined total of their earned bonus for the current year and the value of any share equivalent awards brought forward from the previous year at the then share price. The other one-third is compulsorily deferred into a new award of share equivalents evaluated at the then share price. Deferred share equivalents are subject to 50% forfeiture for each subsequent year of the plan period where performance falls below the forfeiture threshold set by the Committee. At the expiration of each three-year period, participants will, subject to attainment of the performance conditions for that year, receive in cash their bonus for that year plus any brought forward deferral at its then value. Dividend equivalents may be provided on deferred share equivalents.	The maximum annual bonus opportunity under the DBP is 225% of base salary. Target performance earns 50% of the maximum bonus opportunity.	The current DBP performance condition is Group underlying pre-tax profit. Stretching financial targets are set by the Committee at the start of each financial year. The Company operates in a rapidly changing sector and therefore the Committee may change the balance of the measures, or use different measures for subsequent financial years, as appropriate. The Committee has the discretion to adjust targets or weightings for any exceptional events that may occur during the year. The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the DBP, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can assess fully the basis for any pay-outs under the plan.

PERFORMANCE SHARE PLAN ('PSP')			
Link to strategy The purpose of the PSP is to attract, retain and incentivise executives to optimise business performance through the economic cycle and hence, build a stronger underlying business with sustainable long-term shareholder value creation. This is an inherently cyclical business with high capital requirements. The performance conditions have been chosen to ensure that there is an appropriate dynamic tension between growing earnings, delivering strong RoI, whilst maintaining leverage discipline.	**Operation** PSP awards are granted annually and vesting is dependent on the achievement of performance conditions. Performance is measured over a three-year period. The operation of the PSP is reviewed annually to ensure that grant levels, performance criteria and other features remain appropriate to the Company's current circumstances. Dividend equivalents may be provided on vested shares. Vested shares (net of taxes) are required to be held for a period of at least two years post-vesting.	**Maximum potential value** The maximum annual award which can be made under the PSP scheme has a market value at the grant date of 250% of base salary. At target performance 32.5% of the award vests. In 2020/21 the award for Brendan Horgan will be 200% of base salary and 150% for Michael Pratt.	**Performance conditions and assessment** Awards are subject to continued employment and achievement of a range of balanced and holistic performance conditions that are maintained across the cycle. The current performance criteria are total shareholder return (40%), earnings per share (25%), return on investment (25%) and leverage (10%). Awards vest on a pro rata basis as follows: Total shareholder return – median to upper quartile performance against an appropriate comparator group Earnings per share – compound growth of 6–12% per annum Return on investment – 10–15% (excluding IFRS 16) Leverage – less than, or equal to, 2 times (2.4 times post IFRS 16)
SHAREHOLDING POLICY			
Link to strategy Ensures a long-term locked-in alignment between the executive directors and shareholders.	**Operation** The Committee requires the executive directors to build and maintain a material shareholding in the Company over a reasonable time frame, which would normally be five years. The Committee has discretion to increase the shareholding requirement.	**Maximum potential value** Minimum shareholding requirement: – Chief executive: 300% of salary – Other executive directors: 200% of salary	
POST-CESSATION SHAREHOLDING REQUIREMENT			
Link to strategy Strengthens the alignment between the long-term interests of executive directors and shareholders.	**Operation** The Committee requires the executive directors to maintain the minimum shareholding requirement for two years post-cessation.	**Maximum potential value** Minimum shareholding requirement: – Chief executive: 300% of salary – Other executive directors: 200% of salary	

Notes to the policy table:

1. In relation to the PSP:
   a. Total shareholder return measures the relative return from Ashtead against an appropriate comparator group, providing alignment with shareholders' interests.
   b. Earnings per share is also a key measure ensuring sustainable profit generation over the longer term and is a measure which is aligned with shareholders' interests.
   c. Return on investment is a key internal measure to ensure the effective use of capital in the business which is cyclical and with high capital requirements.
   d. The use of leverage alongside the other performance measures ensures there is an appropriate dynamic tension and balance, maintaining leverage discipline in a capital-intensive business. For awards up to and including 2016, the leverage target was 2.5 times. For 2017 and subsequent awards, it is 2 times (2.4 times post IFRS 16), averaged across the three-year period.
2. In relation to both the DBP and the PSP, malus and clawback provisions exist which enable the Committee to reduce or eliminate the number of shares, notional shares or unvested shares held or reduce the amount of any money payable or potentially payable and/or to require the transfer to the Company of all or some of the shares acquired or to pay to the Company an amount equal to all or part of any benefit or value derived from, or attributable to, the plans in case of material misstatement of accounts or action or conduct of an award holder or award holders which in the reasonable opinion of the Board, amounts to fraud or gross misconduct.

Remuneration policy on new hires

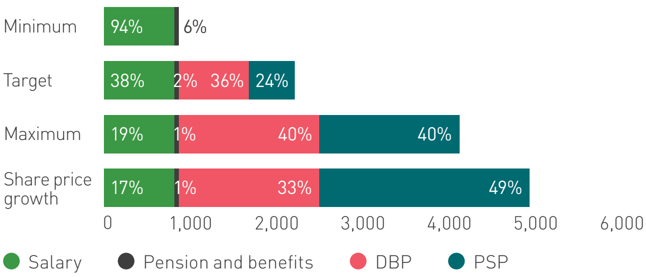
When hiring a new executive director, the Committee will seek to align the remuneration package with the remuneration policy summarised above. In addition, where the executive has to relocate, the level of relocation package will be assessed on a case by case basis. Although it is not the Committee's policy to buy-out former incentive arrangements as a matter of course, it will consider compensating an incoming executive with like-kind incentive arrangements for foregone incentives with their previous employer, taking into account the length of the period they were held and an assessment of the likely vesting value. The Committee will ensure that such arrangements are in the best interests of both the Company and the shareholders without paying more than is necessary.

Total remuneration opportunity

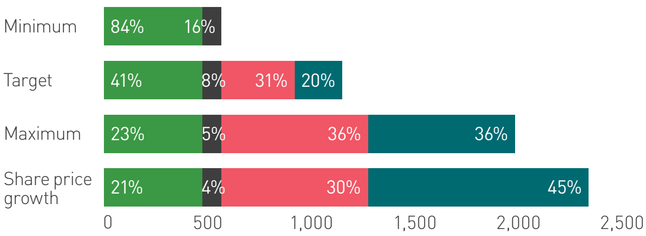
Our remuneration arrangements are designed so that a significant proportion of pay is dependent on the delivery of short and long-term objectives designed to create shareholder value.

The graphs below illustrate the potential future reward opportunity for each of the executive directors, based on the remuneration policy set out on pages 88 to 90 and the base salary at 1 May 2020 and the sterling/dollar exchange rate at 30 April 2020.

CHIEF EXECUTIVE – BRENDAN HORGAN (£'000)



FINANCE DIRECTOR – MICHAEL PRATT (£'000)



In illustrating potential reward opportunities, the following assumptions have been made:

	Base and pension	DBP	PSP
Minimum	Base salary, benefits and pension or cash in lieu of pension	No DBP payment payable	No vesting
Target	As above	On target DBP payment (50% of maximum)	32.5% vesting
Maximum	As above	Maximum DBP payment	Full vesting
Share price growth	As above	Maximum DBP payment	Full vesting with 50% share price growth

The impact of share price movements on the value of PSPs have been excluded for the minimum, target and maximum scenario. The impact of share price on the value of mandatory bonus deferrals into the DBP has been excluded from all scenarios.

Service contracts

The Company's policy is that executive directors have rolling contracts terminable by either party giving the other 12 months' notice, which are available for inspection at the Company's registered office. The service contracts for each of the executive directors all contain non-compete provisions appropriate to their roles.

Policy on payment for loss of office

Upon the termination of employment of any executive director, any compensation will be determined in accordance with the relevant provisions of the director's employment contract and the rules of any incentive scheme which are summarised below.

BASE SALARY AND BENEFITS	
Approach In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation. In other circumstances, executive directors may be entitled to receive compensation for loss of office which will be a maximum of 12 months' salary. Such payments will be equivalent to the monthly salary and benefits that the executive would have received if still in employment with the Company. Executive directors will be expected to mitigate their loss within a 12-month period of their departure from the Company.	**Application of Committee discretion** The Committee has discretion to make a lump sum payment in lieu.
PENSION	
Approach Pension contributions or payments in lieu of pension contribution will be made during the notice period. No additional payments will be made in respect of pension contributions for loss of office.	**Application of Committee discretion** The Committee has discretion to make a lump sum payment in lieu.

DEFERRED BONUS PLAN	
Approach The treatment of the Deferred Bonus Plan is governed by the rules of the plan. **Cessation of employment** If a participant ceases to be employed by a Group company for any reason an award that has not vested shall lapse unless the Committee in its absolute discretion determines otherwise for 'good leaver' reasons (including, but not limited to, injury, disability, ill health, retirement, redundancy or transfer of the business). If the Committee determines that deferred awards held in a participant's plan account shall not lapse on cessation of employment, all deferred awards held in the participant's plan account shall vest immediately and the Committee shall determine: (a) whether the measurement date for that plan year is brought forward to the date of cessation or remains at the end of the plan year; and (b) whether a reduction is applied to the payment to take account of the proportion of the plan year elapsed and the contribution to the Group. If the Committee determines that the measurement date is the date of cessation, the Committee shall pro-rate the performance conditions to the date of cessation.	**Application of Committee discretion** The Committee has the discretion to determine that an executive director is a good leaver. The Committee retains discretion to set the measurement date for the purposes of determining performance measurement and whether to pro-rate the contribution for that plan year. It should be noted that it is the Committee's policy only to apply such discretions if the circumstances at the time are, in its opinion, sufficiently exceptional, and to provide a full explanation to shareholders where discretion is exercised.
Change of control On a change of control, all deferred awards held in a participant's plan account shall vest immediately and the Committee shall determine: (a) that the measurement date is the date of the change of control; and (b) whether a reduction is applied to the payment to take account of the proportion of the plan year elapsed and the participant's contribution to the Group. The Committee shall pro-rate the performance conditions to the measurement date. In the event of an internal reorganisation, the Committee may determine that awards are replaced by equivalent awards.	The Committee retains discretion to pro-rate the contribution for that plan year. It is the Committee's policy in normal circumstances to pro-rate to time; however, in exceptional circumstances where the nature of the transaction produces exceptional value for shareholders and provided the performance targets are met, the Committee will consider whether pro-rating is equitable.
PERFORMANCE SHARE PLAN	
Approach The treatment of awards is governed by the rules of the plan. **Cessation of employment** If a participant ceases to be employed by a Group company for any reason an award that has not vested shall lapse unless the Committee in its absolute discretion determines otherwise for 'good leaver' reasons (including, but not limited to, injury, disability, ill health, retirement, redundancy or transfer of the business). Where the participant is a good leaver, and at the discretion of the Committee, awards may continue until the normal time of vesting and with the performance target and any other conditions considered at the time of vesting. If the participant's awards vest, the proportion of the awards which shall vest will be determined by the Committee in its absolute discretion taking into account such factors as the Committee may consider relevant including, but not limited to, the time the award has been held by the participant and having regard to the performance target and any further condition imposed under the rules of the plan. Alternatively, the Committee may decide that the award may vest on the date of cessation taking into account such factors as the Committee may consider relevant including, but not limited to, the time the award has been held by the participant and having regard to the performance target and any further condition imposed under the rules of the plan.	**Application of Committee discretion** The Committee has the discretion to determine that an executive director is a good leaver. The Committee retains discretion to set the vesting date. It should be noted that it is the Committee's policy only to apply such discretions if the circumstances at the time are, in its opinion, sufficiently exceptional, and to provide a full explanation to shareholders where discretion is exercised.
Change of control The proportion of the awards which shall vest will be determined by the Committee in its absolute discretion taking into account such factors as the Committee may consider relevant including, but not limited to, the time the award has been held by the participant and having regard to the performance target and any further condition imposed under the rules of the plan.	It is the Committee's policy to measure the level of satisfaction of performance targets on a change of control. It is the Committee's policy in normal circumstances to pro-rate to time; however, in exceptional circumstances where the nature of the transaction produces exceptional value for shareholders and provided the performance targets are met the Committee will consider whether pro-rating is equitable.

There is no agreement between the Company and its directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid. The Committee reserves the right to make payments where such payments are made in good faith in discharge of a legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an executive director's office or employment.

When determining any loss of office payment for a departing individual the Committee will always seek to minimise the cost to the Company whilst seeking to address the circumstances at the time.

Consideration of conditions elsewhere in the Group

The constituent parts of the senior management team's remuneration package mirror those of the executives. The performance conditions attaching to PSP awards are common throughout the Company.

When considering executive compensation, the Committee is advised of, and takes into account, changes to the remuneration of employees elsewhere within the Group. The Committee does not consider it appropriate to consult with employees when determining executive remuneration.

Remuneration policy for non-executive directors

The remuneration of the non-executive directors is determined by the Board within limits set out in the Articles of Association. None of the non-executive directors has a service contract with the Company and their appointment is therefore terminable by the Board or the director at any time. When recruiting a non-executive director, the remuneration arrangements offered will be in line with the policy table below:

APPROACH TO FEES	BASIS OF FEES
Fees are set at a level to attract and retain high-calibre non-executive directors.	Each non-executive director is paid a basic fee for undertaking non-executive director and board responsibilities.
Fees are reviewed on a regular basis to ensure they reflect the time commitment required and practice in companies of a similar size and complexity.	Additional fees are paid to the chair and the chairs of the Audit and Remuneration Committees and the senior independent director.

ANNUAL REPORT ON REMUNERATION

Single total figure for remuneration (audited information)

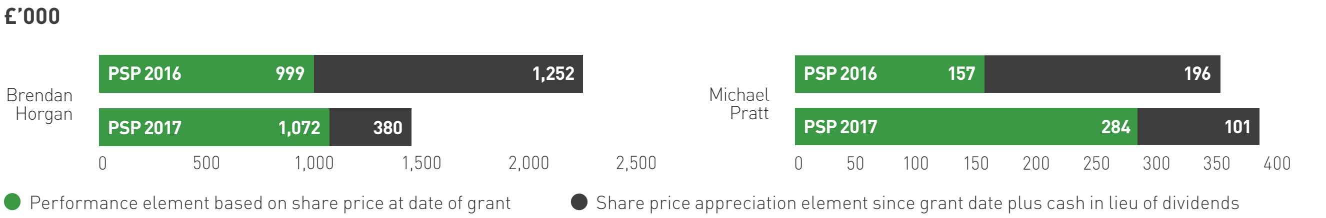
Executive directors

The single figure for the total remuneration received by each executive director for the year ended 30 April 2020 and the prior year is shown in the table below:

	Salary		Benefits[i]		Pension[ii]		DBP[iii]		PSP[iv]		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Brendan Horgan	**813**	767	**35**	43	**15**	14	**641**	1,249	**1,452**	2,251	**2,956**	4,324
Michael Pratt[v]	**473**	450	**21**	20	**71**	68	**288**	561	**385**	353	**1,238**	1,452
Former directors:												
Sat Dhaiwal[vi]	**–**	71	**–**	4	**–**	14	**–**	–	**–**	23	**–**	112
Geoff Drabble[vii]	**–**	813	**–**	45	**–**	325	**–**	1,450	**–**	3,451	**–**	6,084
	1,286	2,101	**56**	112	**86**	421	**929**	3,260	**1,837**	6,078	**4,194**	11,972

(i) Benefits include the taxable benefit of company owned cars, private medical insurance and subscriptions and other taxable allowances. Other taxable allowances include car, travel and accommodation allowances.
(ii) The amounts for Michael Pratt, Sat Dhaiwal and Geoff Drabble represent cash payments in lieu of pension contributions at 15%, 20% and 40% of salary, respectively. The amount included for Brendan Horgan represents the co-match under Sunbelt's 401K defined contribution pension plan and 409A deferred compensation plan.
(iii) DBP includes the cash received by each director from the DBP for 2019/20 performance as explained on page 94. As no bonus was awarded in the current year, the cash received reflects the release of the brought forward deferred share equivalents for each director on the completion of the three year cycle of the DBP.
(iv) The PSP value is calculated as the number of shares vesting, valued at the market value of those shares, plus the payment in lieu of dividends paid during the vesting period. Market value is the market value on the day the awards vest (if they vest before the date the financial statements are approved) or the average market value for the last three months of the financial year (if the awards vest after the date the financial statements are approved). The 2017 award will vest in full on 19 June 2020 and has been valued at an average market value of 2,093p for the three months ended 30 April 2020, plus 103p per share in lieu of dividends paid during the vesting period. The PSP value for 2019 has been adjusted to reflect the actual market value on the date of vesting of 2,320p.
(v) Michael Pratt was appointed as a director on 1 April 2018. The amount included in relation to the DBP represents his bonus for the period during which he was a director. The PSP figures represent a time-apportioned amount of the 2016 PSP award that vested in July 2019 and the 2017 PSP award that will vest in June 2020 reflecting the portion of the performance period he served as a director.
(vi) Sat Dhaiwal stood down as a director on 31 July 2018. As a good leaver, Sat remained a participant in the PSP in respect of previous awards, pro-rated for time served.
(vii) Geoff Drabble stood down as a director on 1 May 2019 but remained as an employee until 30 November 2019. As a good leaver, Geoff remained a participant in the PSP in respect of previous awards, pro-rated for time served.

The value attributable to the 2016 and 2017 PSP awards within the single total figure for remuneration reflects the appreciation of the share price since the awards were granted. This is illustrated as follows:



The Company believes that the above charts show the strong alignment of interests between the executive directors and shareholders reflected in the share price appreciation over the performance period.

Directors' pension benefits (audited information)

Brendan Horgan is a member of the Sunbelt 401K defined contribution pension plan and the 409A deferred compensation plan. He is entitled to a company co-match conditional on contributing into the 401K plan or deferring into the 409A plan. The co-match is limited to amounts permitted by regulatory agencies and is affected either by a company payment into the 401K plan or an enhanced deferral into the 409A plan and was $19,923 in 2019/20.

At 30 April 2020, the total amount available to Brendan Horgan but deferred under the Sunbelt deferred compensation plan was $682,411 or £541,038. This includes an allocated investment loss of $29,227 or £23,082 (2019: gain of £12,830).

The Company makes a payment of 15% of Michael Pratt's base salary in lieu of providing him with any pension arrangements.

The Deferred Bonus Plan (audited information)

The performance targets for the DBP for the year were based on performance excluding the impact of IFRS 16 and were as follows:

	Group pre-tax profit[i]
Forfeiture	£850m
Entry	£1,120m
Threshold	£1,145m
Target	£1,175m
Maximum	£1,235m
Actual – reported excluding IFRS 16	**£1,091m**
Actual – budgeted exchange rates excluding IFRS 16	**£1,063m**

(i) Underlying profit excluding IFRS 16.

For the year to 30 April 2020, the underlying pre-tax profit for Ashtead Group, excluding IFRS 16, was £1,063m at budget exchange rates. As a result, Brendan Horgan and Michael Pratt were not awarded a bonus for the year.

The three-year period of the DBP ended on 30 April 2020. Under the terms of the DBP, there was no forfeiture of brought forward share equivalent awards. The share equivalent awards are summarised below:

	Number of share equivalent awards				Value of released awards £'000
	Brought forward	Granted	Released	Carried forward	
Brendan Horgan	29,459	–	(29,459)	–	641
Michael Pratt	13,226	–	(13,226)	–	288

The Performance Share Plan

The performance criteria represent a balanced and holistic approach involving four measures selected because delivery of them through the cycle is a significant challenge and the achievement of them will deliver optimum sustainable performance over the long term. The performance criteria are as follows:

		Performance criteria (measured over three years)				
Award date	Financial year	TSR (40%)	EPS (25%)	RoI (25%)	Leverage (10%)	Status
4/7/16	2016/17	From 1 May of the year of grant versus the FTSE 350 companies ranked 50th to 100th by market capitalisation	25% of this element of the award will vest if EPS compound growth for the three years ending 30 April immediately prior to the vesting date is 6% per annum, rising to 100% vesting if EPS compound growth is equal to, or exceeds, 12% per annum	25% of this element of the award will vest at an RoI of 10% with 100% vesting with an RoI of 15%	100% of this element of the award will vest if the ratio of net debt to EBITDA is equal to, or is less than, 2.5 times	**2016 award** Vested in full in July 2019
19/6/17	2017/18	As above	As above	25% of this element of the award will vest at an RoI of 10% with 100% vesting with an RoI of 15% (excluding IFRS 16)	100% of this element of the award will vest if the ratio of net debt to EBITDA is equal to, or is less than, 2 times (2.4 times post IFRS 16)	**2017 award** Will vest in full in June 2020
6/7/18	2018/19	As above	As above	As above	As above	**2018 award** TSR performance is in the upper quartile, EPS growth of 17%, RoI of 15% and leverage of 1.9 times
4/7/19	2019/20	As above	As above	As above	As above	**2019 award** TSR performance is in the upper quartile, EPS growth of nil%, RoI of 15% and leverage of 1.9 times

For performance between the lower and upper target ranges, vesting of the award is scaled on a straight-line basis.

The 2016 PSP award vested in full on 4 July 2019 with EPS compound growth for the three years ended 30 April 2019 of 27%, exceeding the upper target of 12%, and the Company's TSR performance ranked it first within the FTSE 350 companies ranked 50th to 100th by market capitalisation (excluding investment trusts). RoI was 18% and leverage 1.8 times.

The 2017 PSP award will vest in full on 19 June 2020 with EPS compound growth for the three years ended 30 April 2020 of 19%, exceeding the upper target of 12%, and the Company's TSR performance ranked it eighth within the FTSE 350 companies ranked 50th to 100th by market capitalisation (excluding investment trusts). RoI was 15% and average leverage was 1.8 times.

EPS is based on the profit before exceptional items, fair value remeasurements and amortisation of acquired intangibles less the tax charge included in the accounts. TSR performance is measured relative to companies in the FTSE 350 ranked 50th to 100th by market capitalisation (excluding investment trusts) rather than a specific comparator group of companies because there are few direct comparators to the Company listed in London. The Company's TSR performance relative to the FTSE 250 (excluding investment trusts) and FTSE 100 (excluding investment trusts) is shown on page 98.

Single total figure of remuneration (audited information)

Non-executive directors

	Fees		Benefits[i]		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Angus Cockburn	**90**	47	**–**	–	**90**	47
Jill Easterbrook	**20**	–	**–**	–	**20**	–
Tanya Fratto	**60**	60	**22**	23	**82**	83
Lucinda Riches	**75**	75	**–**	–	**75**	75
Lindsley Ruth	**60**	–	**–**	–	**60**	–
Paul Walker	**350**	292	**8**	–	**358**	292
Former directors:						
Chris Cole	**–**	99	**–**	–	**–**	99
Wayne Edmunds	**–**	27	**–**	–	**–**	27
Ian Sutcliffe	**–**	51	**–**	–	**–**	51
	655	651	**30**	23	**685**	674

(i) Travel to London, together with accommodation and subsistence expenditure, is met by the Company for Board members to attend meetings of the Board and undertake other activities on behalf of the Company for those directors not based in London.

The non-executive directors did not receive any remuneration from the Company in addition to the fees detailed above.

Scheme interests awarded between 1 May 2019 and 30 April 2020 (audited information)

Performance Share Plan

The nil-cost awards made on 4 July 2019 are subject to the rules of the PSP and the achievement of stretching performance conditions, which are set out on page 95, over a three-year period to 30 April 2022. The awards are summarised below:

	Number	Face value of award[i] £'000	Face value of award as % of base salary	% of award vesting for target performance
Brendan Horgan	70,600	1,638	200%	32.5%
Michael Pratt	30,550	709	150%	32.5%

(i) PSP awards were allocated on 4 July 2019 using the closing mid-market share price (2,320p) of Ashtead Group plc on that day.

Payments to past directors (audited information)

Geoff Drabble stepped down from the Board on 1 May 2019 and his employment ended on 30 November 2019. Geoff continued to receive his basic salary and certain benefits for his remaining notice period subject to him observing the non-compete and non-solicit provisions in his service contract but was not eligible for a bonus in 2019/20. For the year ended 30 April 2020, these amounts totalled £688,116. Following the completion of the three-year period of the DBP, Geoff will also receive the value of brought forward share equivalent awards in June 2020 of £743,000.

As a good leaver, Geoff received his 2016 PSP award in full since he was in employment for the full period and his outstanding 2017 and 2018 PSP awards were pro-rated to 30 November 2019 in accordance with the PSP rules and are subject to normal vesting conditions, details of which are provided in the PSP awards table below. As such, Geoff's maximum number of awards capable of vesting are 79,429 (2017) and 33,716 (2018). The 2019 award will vest in full on 19 June 2020.

Suzanne Wood stepped down from the Board with effect from 31 March 2018 and her employment ended on 30 June 2018. Suzanne continued to receive her basic salary and certain benefits for her notice period subject to her observing the non-compete and non-solicit provisions in her service contract but was not eligible for a bonus in respect of 2018/19. For the year ended 30 April 2020, these amounts totalled £89,995 (2019: £554,783).

As a good leaver, Suzanne's outstanding 2016 and 2017 PSP awards were pro-rated to 30 June 2018 in accordance with the PSP rules and are subject to normal vesting conditions, details of which are provided in the PSP awards table below. As such, Suzanne's maximum number of awards capable of vesting were 43,733 (2016) and 15,999 (2017). The 2016 awards vested in full in 2019/20 and were exercised during the year. The 2017 award will vest in full on 19 June 2020. In respect of the 2017 award, the Committee determined that the holding period would apply for two years from the date of cessation of her employment.

Sat Dhaiwal retired from the Board on 31 July 2018. As explained above, the Group entered into a 12-month consultancy service agreement with Sat in order to provide ongoing support to the Group during the transition to a new Sunbelt UK chief executive and in light of the anticipated change in Group chief executive. Payments of £50,000 have been made under this arrangement in 2019/20.

As a good leaver, Sat's outstanding 2016 and 2017 PSP awards were pro-rated to 31 July 2018 in accordance with the PSP rules and are subject to normal vesting conditions, details of which are provided in the PSP awards table below. As such, Sat's maximum number of awards capable of vesting were 26,702 (2016) and 9,737 (2017). The 2016 award vested in full in 2019/20 and were exercised during the year. The 2017 award will vest in full on 19 June 2020.

No payments were made to past directors of the Company other than the payments to Geoff Drabble, Suzanne Wood and Sat Dhaiwal as detailed above.

Payments for loss of office (audited information)

During the year there have been no payments made to directors for loss of office.

Statement of executive directors' shareholdings and share interests (audited information)

The executive directors are subject to a minimum shareholding obligation. Under the remuneration policy, the chief executive is expected to hold shares at least equal to 300% of base salary and the remaining executive directors are expected to hold shares at least equal to 200% of base salary. As shown below, the executive directors comply with these shareholding requirements.

	Shares held outright at 30 April 2020[i]	Shares held outright at 30 April 2020 as a % of salary[ii]	Outstanding unvested plan interests subject to performance measures[iii]	Total of all share interests and outstanding plan interests at 30 April 2020
Brendan Horgan	400,884	1,027%	203,509	604,393
Michael Pratt	271,087	1,201%	84,219	355,306

(i) Interests in shares held at 30 April 2020 include shares held by connected persons.
(ii) In calculating shareholding as a percentage of salary, the average share price for the three months ended 30 April 2020, the sterling/dollar exchange rate at 30 April 2020, and the directors' salaries at 1 May 2020, have been used.
(iii) All outstanding plan interests take the form of rights to receive shares.

There have been no changes in the outstanding share interests of executive directors as of the date of this report.

At the date of his retirement from the Board (1 May 2019), Geoff Drabble held 392,219 shares which represented 964% of his salary. In addition, he held 312,839 outstanding unvested plan interests subject to performance measures.

Performance Share Plan awards

Awards made under the PSP, and those which remain outstanding at 30 April 2020, are shown in the table below:

	Date of grant	Held at 30 April 2019	Lapsed during the year	Exercised during the year	Granted during the year	Held at 30 April 2020
Brendan Horgan	04.07.16	93,584	–	(93,584)	–	–
	19.06.17	66,108	–	–	–	66,108
	06.07.18	66,801	–	–	–	66,801
	04.07.19	–	–	–	70,600	70,600
Michael Pratt[i]	04.07.16	34,995	–	(34,995)	–	–
	19.06.17	23,736	–	–	–	23,736
	06.07.18	29,933	–	–	–	29,933
	04.07.19	–	–	–	30,550	30,550
Former directors:						
Sat Dhaiwal	04.07.16	26,702	–	(26,702)	–	–
	19.06.17	9,737	–	–	–	9,737
Geoff Drabble[ii]	04.07.16	143,446	–	(143,446)	–	–
	19.06.17	97,287	(17,858)	–	–	79,429
	06.07.18	72,106	(38,390)	–	–	33,716
Suzanne Wood	04.07.16	43,733	–	(43,733)	–	–
	19.06.17	15,999	–	–	–	15,999

(i) Michael Pratt's 2016 and 2017 awards were granted before he became an executive director but are included in this table to provide shareholders with full information.
(ii) Geoff Drabble stood down as a director on 1 May 2019 and retired from the company in November 2019. The Remuneration Committee concluded that Geoff's outstanding PSP awards should be pro-rated in accordance with PSP rules.

The performance conditions attaching to the PSP awards are detailed on page 95. It is a condition of the 2017 PSP award, and all subsequent awards, that directors at the time of the award are required to hold any vested shares for a further two-year period following the vesting date. The market price of the awards granted during the year was 2,320p on the date of grant.

Statement of non-executive directors' shareholding (audited information)

As at 30 April 2020, the non-executive directors' interests in ordinary shares of the Company were:

	Number
Paul Walker	14,000
Angus Cockburn	1,000
Jill Easterbrook	–
Tanya Fratto	1,000
Lucinda Riches	5,000
Lindsley Ruth	2,250

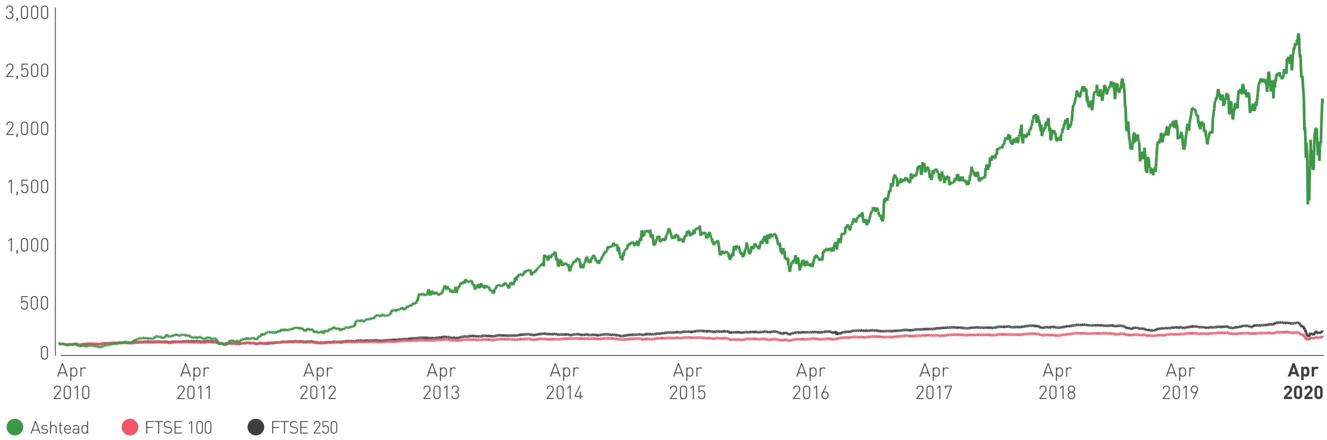
The market price of the Company's shares at the end of the financial year was 2,175p and the highest and lowest closing prices during the financial year were 2,774p and 1,300p respectively.

Performance graph and table

Over the last ten years the Company has generated a 22-fold total shareholder return ('TSR') which is shown below. The FTSE 100 is the Stock Exchange index the Committee considers to be the most appropriate to the size and scale of the Company's operations over that period.

The following graph compares the Company's TSR performance with the FTSE 100 Index and 250 Index (excluding investment trusts) over the ten years ended 30 April 2020, as the Company only joined the FTSE 100 in December 2013.

TOTAL SHAREHOLDER RETURN



During the same period, the total remuneration received by the Group chief executive has reflected the strong performance of the business:

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total remuneration (£'000)	**2,956**	6,084	5,144	5,461	3,321	4,165	7,272	6,510	4,613	2,166
Underlying profit before tax (£m)	**1,061**	1,110	927	793	645	490	362	245	131	31
Proportion of maximum annual bonus potential awarded	**nil%**	100%	100%	100%	98%	100%	100%	100%	100%	100%
Proportion of PSP vesting	**100%**	100%	100%	100%	97.5%	100%	100%	100%	100%	50%

In 2020, the Group chief executive was Brendan Horgan. The figures for 2011 to 2019 are for the then chief executive, Geoff Drabble.

Percentage change in remuneration of chief executive

The table below summarises the percentage change in the dollar-based remuneration of Brendan Horgan, the chief executive, between the years ended 30 April 2019 and 30 April 2020 and the average percentage change over the same period for the Group as a whole. Brendan Horgan participates in the Deferred Bonus Plan and his annual bonus reflects payments under this plan. Details are provided on page 94.

	Salary	Benefits	Annual bonus
Chief executive percentage change	3%	-20%	-50%
Group percentage change	3%	nil%	-30%

Relative importance of spend on pay

The following table shows the year-on-year change in returns to shareholders and aggregate staff costs (see Note 4 of the financial statements).

	2019/20 £m	2018/19 £m	Change %
Aggregate staff costs	1,172	1,019	15%
Returns to shareholders	624	644	-3%

Returns to shareholders include dividends and share buybacks.

Chief executive pay compared to pay of Group employees

Ashtead is a decentralised, store-based business employing over 19,000 people including drivers, mechanics, yard operatives and sales personnel. We apply the same reward principles across the business. Our overall remuneration packages have to be competitive when compared with similar roles in other organisations against which we compete for talent. Thus, not only do we compete against other rental companies but also, for example, distribution businesses for drivers and mechanics. Accordingly, we consider both rental and other similar businesses when referencing our remuneration levels. For our chief executive, we are referencing a small group of chief executives of major organisations with the skillset to manage a fast-growing, multi-location and international business.

Given this business profile, all the pay ratio reference points compare our chief executive's remuneration with that of store-based employees. Year-to-year movements in the pay ratio will be driven largely by changes in our chief executive's variable pay. These movements will outweigh significantly any other changes in pay across the Group. Whatever the chief executive pay ratio, the Group is committed to continuing to invest in leading remuneration packages for all our employees.

The total pay and benefits of group-wide and UK employees at the 25th, 50th and 75th percentile, and the ratios between the chief executive and these employees using the chief executive's single total remuneration figure for 2019/20 of £2,956,000 are as follows:

	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
Group-wide employees			
Total pay and benefits	£34,482	£46,882	£86,216
Salary component thereof	£28,862	£27,800	£37,621
CEO pay ratio	86:1	63:1	34:1
UK employees			
Total pay and benefits	£20,566	£23,199	£32,041
Salary component thereof	£20,566	£22,154	£29,214
CEO pay ratio	144:1	127:1	92:1

The relevant employees at the 25th, 50th and 75th percentile were identified using existing gender pay data (option B) prepared as at 5 April 2019. Due to the nature of the roles undertaken by the identified employees, and based on a review of their pay and benefits for the year ended 30 April 2020, the Company believes that the individuals identified remain representative of the 25th, 50th and 75th percentile employees.

External appointments

The Company recognises that executive directors may be invited to become non-executive directors of other companies and that these appointments can broaden their knowledge and experience to the benefit of the Company. Subject to Board approval, executive directors may take up external appointments and the Group policy is for the individual director to retain any fee.

Remuneration for the year commencing 1 May 2020

Basic salary

Salary with effect from 1 May 2020:

Brendan Horgan	$1,030,000
Michael Pratt	£472,500

Benefits

Benefits will continue to be applied as per the policy and application in previous years.

Retirement benefits

Retirement benefits will continue to be applied as per the policy and application in previous years..

Deferred Bonus Plan

Brendan Horgan and Michael Pratt participate in the DBP. The maximum annual bonus opportunities as a percentage of salary are 200% for Brendan Horgan and 150% for Michael Pratt. The performance measures are set out on page 89. The specific targets set are deemed to be commercially sensitive but full disclosure will be provided on a retrospective basis at the year-end. These performance measures should be viewed in conjunction with the wider performance targets set for the 2020/21 PSP awards as detailed on page 90.

Performance Share Plan

A 2020 PSP award will be made as follows:

	Value of 2020 award £'000
Brendan Horgan	1,633
Michael Pratt	709

These awards are based on the directors' salaries as at 1 May 2020 and, where appropriate, the sterling/dollar exchange rate at 30 April 2020. Performance targets remain unchanged from the prior year.

Non-executive fees

Fees for non-executive directors, which remain unchanged as at 1 May 2020 are:

Paul Walker	£350,000
Angus Cockburn	£90,000
Jill Easterbrook	£60,000
Tanya Fratto	£60,000
Lucinda Riches	£75,000
Lindsley Ruth	£60,000

For non-executive directors, fees comprise a base fee of £60,000, with a supplemental fee of £15,000 for each committee chair and a supplemental fee of £15,000 for the senior independent director.

Consideration by the directors of matters relating to directors' remuneration

The Company has established a Remuneration Committee in accordance with the recommendations of the UK Corporate Governance Code.

None of the Committee members has any personal financial interests, other than as shareholders, in the matters to be decided. None of the members of the Committee is or has been at any time one of the Company's executive directors or an employee. None of the executive directors serves, or has served, as a member of the board of directors of any other company which has one or more of its executive directors serving on the Company's Board or Remuneration Committee.

The Group's chief executive normally attends the meetings of the Committee to advise on operational aspects of the implementation of existing policies and policy proposals, except where his own remuneration is concerned, as does the non-executive chair, Paul Walker. Eric Watkins acts as secretary to the Committee. Under Lucinda Riches' direction, the company secretary and Group chief executive have responsibility for ensuring the Committee has the information relevant to its deliberations.

In formulating its policies, the Committee has access to professional advice from outside the Company, as required, and to publicly available reports and statistics. The Committee has appointed Mercer Limited ('Mercer') following a competitive tender process in 2019/20 to provide independent remuneration advice. Mercer is a member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting in the UK. The fees paid to Mercer for its professional advice on remuneration during the year were £7,000 based on a time and expenses basis. Mercer provides no other services to the Company and the Committee is satisfied that Mercer is independent of both the Company and individual directors.

Prior to the appointment of Mercer, the Committee received advice from PricewaterhouseCoopers LLP who were paid £60,000 during the year based on a time and expenses basis.

Main responsibilities of the Remuneration Committee

The principal duties of the Committee are:

- determining and agreeing with the Board the framework and policy for the remuneration of the executive directors and senior employees;
- ensuring that executive management is provided with appropriate incentives to encourage enhanced performance in a fair and responsible manner;
- reviewing and determining the total remuneration packages for each executive director including bonuses and incentive plans;
- determining the policy for the scope of pension arrangements, service agreements, termination payments and compensation commitments for each of the executive directors; and
- ensuring compliance with all statutory and regulatory provisions.

Summary of the Committee's work during the year

The principal matters addressed during the year were:

- assessment of the achievement of the executive directors against their Deferred Bonus Plan objectives;
- setting Deferred Bonus Plan performance targets for the year;
- assessment of performance for the vesting of the 2016 PSP awards;
- grant of 2019 PSP awards and setting the performance targets attaching thereto;
- review of executive base salaries; and
- approval of the Directors' remuneration report for the year ended 30 April 2019.

Shareholder voting

An ordinary resolution concerning the Directors' remuneration report will be put to shareholders at the forthcoming AGM.

Ashtead is committed to ongoing shareholder dialogue and considers carefully voting outcomes. The Committee gained a full understanding of the views of shareholders and the main shareholder representative bodies through an extensive consultation process around the approval of the 2019 remuneration policy. The feedback on the policy has been and will continue to be taken into account in the implementation for the next three years.

The following table sets out the voting results in respect of our previous report in 2019, including the directors' remuneration policy:

	For	Against
2018/19 directors' remuneration policy	98%	2%
2018/19 directors' annual report on remuneration	96%	4%

27,718 votes were withheld (less than 1% of share capital) out of total votes cast of 334,642,535 in relation to the 2018/19 directors' remuneration policy. 6,560,311 votes were withheld (c. 1% of share capital) out of total votes cast of 334,642,535 in relation to the 2018/19 Directors' remuneration report.

This report has been approved by the Remuneration Committee and is signed on its behalf by:

LUCINDA RICHES
Chair of the Remuneration Committee
15 June 2020

OTHER STATUTORY DISCLOSURES

Pages 68 to 104 inclusive (together with the sections of the Annual Report incorporated by reference) form part of the Directors' report.

Other information, which forms part of the Directors' report, can be found in the following sections of the Annual Report:

SHARE CAPITAL AND MAJOR SHAREHOLDERS

Details of the Company's share capital are given in Note 21 to the financial statements.

Acquisition of own shares

At the 2019 AGM, the Company was authorised to make market purchases of up to 70 million ordinary shares. The Company acquired 20 million shares under this authority during the year. This authority will expire on the earlier of the next annual general meeting of the Company or 10 December 2020.

A special resolution will be proposed at this year's AGM to authorise the Company to make market purchases of up to 67 million ordinary shares.

Voting rights

Subject to the Articles of Association, every member who is present in person at a general meeting shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he or she is the holder. The Trustees of the Employee Share Ownership Trust ordinarily follow the guidelines issued by the Association of British Insurers and do not exercise their right to vote at general meetings.

Under the Companies Act 2006, members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend and speak and vote on their behalf at a general meeting or any class of meeting. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A corporate member may appoint one or more individuals to act on its behalf at a general meeting or any class of meeting as a corporate representative. The deadline for the exercise of voting rights is as stated in the notice of the relevant meeting.

Transfer of shares

Certified shares

(i) Transfers may be in favour of more than four joint holders, but the directors can refuse to register such a transfer.

(ii) The share transfer form must be delivered to the registered office, or any other place decided on by the directors. The transfer form must be accompanied by the share certificate relating to the shares being transferred, unless the transfer is being made by a person to whom the Company was not required to, and did not send, a certificate. The directors can also ask (acting reasonably) for any other evidence to show that the person wishing to transfer the shares is entitled to do so.

CREST shares

(i) Registration of CREST shares can be refused in the circumstances set out in the Uncertificated Securities Regulations.

(ii) Transfers cannot be in favour of more than four joint holders.

Significant shareholders

Based on notifications received, the holdings of 3% or more of the issued share capital of the Company as at 12 June 2020 (the latest practicable date before approval of the financial statements) are as follows:

	%
Abrams Bison Investments LLC	5%
Harris Associates LP	5%
BlackRock, Inc.	5%

Details of directors' interests in the Company's ordinary share capital and in options over that share capital are given in the Remuneration report on pages 84 to 100. Details of all shares subject to option are given in the notes to the financial statements on page 138.

CHANGE OF CONTROL PROVISIONS IN LOAN AGREEMENTS

A change in control of the Company (defined, inter alia, as a person or a group of persons acting in concert gaining control of more than 30% of the Company's voting rights) leads to an immediate event of default under the Company's asset-based senior lending facility. In such circumstances, the agent for the lending group may, and if so directed by more than 50% of the lenders shall, declare the amounts outstanding under the facility immediately due and payable.

Such a change of control also leads to an obligation, within 30 days of the change in control, for the Group to make an offer to the holders of the Group's $600m senior secured notes, due 2025, $600m senior secured notes, due 2026, $600m senior secured notes, due 2027, $600m senior secured notes, due 2028 and $600m senior secured notes, due 2029, to redeem them at 101% of their face value.

APPOINTMENT AND REMOVAL OF DIRECTORS

Unless determined otherwise by ordinary resolution, the Company is required to have a minimum of two directors and a maximum of 15 directors (disregarding alternate directors).

The directors are not required to hold any shares in the Company by the Articles of Association.

The Board can appoint any person to be a director. Any person appointed as a director by the Board must retire from office at the first annual general meeting after appointment. A director who retires in this way is then eligible for reappointment.

The Articles state that each director must retire from office if he held office at the time of the two preceding annual general meetings and did not retire at either of them. In accordance with the UK Corporate Governance Code, all directors are subject to annual election by the shareholders.

In addition to any power to remove directors conferred by legislation, the Company can pass a special resolution to remove a director from office even though his time in office has not ended and can appoint a person to replace a director who has been removed in this way by passing an ordinary resolution.

Any director stops being a director if (i) he gives the Company written notice of his resignation; (ii) he gives the Company written notice in which he offers to resign and the directors decide to accept this offer; (iii) all the other directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the director to resign; (iv) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months; (v) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; (vi) he has missed directors' meetings (whether or not an alternate director appointed by him attends those meetings) for a continuous period of six months without permission from the directors and the directors pass a resolution removing the director from office; (vii) a bankruptcy order is made against him or he makes any arrangement or composition with his creditors generally; (viii) he is prohibited from being a director under the legislation; or (ix) he ceases to be a director under the legislation or he is removed from office under the Articles of Association.

POWERS OF THE DIRECTORS

Subject to the legislation, the Articles of Association and any authority given to the Company in a general meeting by special resolution, the business of the Company is managed by the Board of directors that can use all of the Company's powers to borrow money and to mortgage or charge all or any of the Company's undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other security and to give security, either outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

DIRECTORS AND DIRECTORS' INSURANCE

Details of the directors of the Company are given on pages 68 and 69. The policies related to their appointment and replacement are detailed on pages 75 and 76. Each of the directors as at the date of approval of this report confirms, as required by section 418 of the Companies Act 2006 that to the best of their knowledge and belief:

(1) there is no relevant audit information of which the Company's auditor is unaware; and

(2) each director has taken all the steps that he ought to have taken to make himself aware of such information and to establish that the Company's auditor is aware of it.

The Company has maintained insurance throughout the year to cover all directors against liabilities in relation to the Company and its subsidiary undertakings.

AMENDMENT OF ARTICLES OF ASSOCIATION

The Articles of Association of the Company may be amended by a special resolution.

POLICY ON PAYMENT OF SUPPLIERS

Suppliers are paid in accordance with the individual payment terms agreed with each of them. The number of Group creditor days at 30 April 2020 was 55 days (30 April 2019: 55 days) which reflects the terms agreed with individual suppliers. There were no trade creditors in the Company's balance sheet at any time during the past two years.

POLITICAL AND CHARITABLE DONATIONS

Charitable donations in the year amounted to £2,059,824 in total (2019: £1,357,874). No political donations were made in either year.

GOING CONCERN

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future and consequently, that it is appropriate to adopt the going concern basis in preparing the financial statements.

These enquiries included reviewing the Group's scenario planning following the impact of COVID-19. The Group modelled a range of scenarios which considered different possible outcomes based on the timing, severity and duration of the downturn and subsequent recovery. This scenario planning considers the potential impact of COVID-19 and, more generally, weakening markets on revenue, margins, cash flows, overall debt levels and leverage.

In addition, management then considered sensitivities to these scenarios. In particular, it considered the impact of a more significant and sustained period of revenue reduction and increased irrecoverability of receivables, while taking into account reasonable mitigating actions. Under all these scenarios, the Group generates free cash flow and has adequate resources to continue in operation for the foreseeable future.

AUDITOR

Deloitte LLP has indicated its willingness to continue in office and in accordance with section 489 of the Companies Act 2006, a resolution concerning its reappointment and authorising the directors to fix its remuneration, will be proposed at the AGM.

DISTRIBUTIONS

Following year end, the Board became aware that the following dividend and share buy-backs had been made otherwise than in accordance with the Companies Act 2006 (the 'Act') because interim accounts had not been signed and filed at Companies House prior to the payment of the dividend and the purchase of the shares (as applicable):

(a) the interim dividend of 7.15 pence per ordinary share paid on 5 February 2020 (the 'Interim Dividend'); and

(b) the share buy-backs undertaken between 5 February 2020 and 18 March 2020 (the 'Share Buy-backs'),

(each a 'Relevant Distribution' and together, the 'Relevant Distributions').

The Company had at all times sufficient distributable profits to fund the Relevant Distributions.

The Company shall remove any right it may have to claim from shareholders or directors who were present at the meeting at which the Interim Dividend was declared for the repayment of the Interim Dividend by entering into deeds of release in relation to any such claims. These will constitute related party transactions under IAS 24 and are expected to be smaller related party transactions under the Listing Rules.

At the AGM to be held on 8 September 2020, a special resolution (resolution 19) will be proposed to approve a reduction of capital to cancel 2,840,000 ordinary shares of 10 pence each in the capital of the Company that were the subject of the Share Buy-backs. Subject to obtaining the requisite consent at the AGM, the Company will apply to the Court for confirmation of the cancellation of these shares.

The overall effect of the steps described above is to return the parties so far as possible to the position in which they were always intended to be, and would have been, had the Relevant Distributions been made in compliance with the Act.

The Company is putting in place new procedures relating to all distributions which will ensure that relevant legal requirements are complied with in the future.

ANNUAL GENERAL MEETING

The AGM will be held at 2.30pm on Tuesday, 8 September 2020. However, in light of the current circumstances, the 2020 AGM will be convened with the minimum quorum of two shareholders facilitated by the Company. Shareholders will not be able to attend the AGM in person and are encouraged to submit their votes by proxy in accordance with the instructions set out in the 2020 AGM Notice and to appoint the 'Chair of the meeting' as their proxy to vote on their behalf. An explanation of the business to be transacted at the AGM will be circulated to shareholders and will be available on the Company's corporate website.

APPROVAL OF THE DIRECTORS' REPORT

The Directors' report set out on pages 68 to 104 was approved by the Board on 15 June 2020 and has been signed by the Company secretary on its behalf.

ERIC WATKINS
Company secretary
15 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for the Group in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Article 4 of the IAS Regulation and have also elected to prepare financial statements for the Company in accordance with IFRS as adopted by the EU.

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

- 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;
- 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
- 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 position, performance, business model and strategy.

By order of the Board

ERIC WATKINS
Company secretary
15 June 2020

FINANCIAL STATEMENTS

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- the financial statements of Ashtead Group plc ('the Company') and its subsidiaries ('the Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 April 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and IFRS as issued by the International Accounting Standards Board;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated and Company balance sheets;
- the Consolidated and Company statements of changes in equity;
- the Consolidated and Company cash flow statement; and
- the related notes 1 to 31, including the accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('the FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Company for the year are disclosed in Note 4 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

KEY AUDIT MATTERS	The key audit matters that we identified in the current year were: – carrying value of rental fleet; – revenue recognition – manual top-side intervention; and – going concern.
MATERIALITY	The materiality that we used for the Group financial statements was £48.5m which was determined on the basis of three-year average profit before tax.
SCOPING	Consistent with previous years, we performed audit work on three (2019: three) components: the Group head office, Sunbelt UK and Sunbelt US.
SIGNIFICANT CHANGES IN OUR APPROACH	We have included going concern in the current year as a key audit matter, due to the increased uncertainty in the wider market as a result of COVID-19 which has resulted in an increased level of audit effort in this area.

Conclusions relating to going concern, principal risks and viability statement

GOING CONCERN

We have reviewed the directors' statement in Note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

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

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

PRINCIPAL RISKS AND VIABILITY STATEMENT

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 36 to 39 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 36 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 39 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CARRYING VALUE OF RENTAL FLEET

Key audit matter description

As set out in Note 13, the Group holds £9.4bn (2019: £8.3bn) of rental fleet at cost (£5.9bn net book value (2019: £5.4bn net book value)). These assets represent 56% (2019: 65%) of the Group's gross assets. The movement in the balance from prior year is principally due to £1.4bn of new additions and acquisitions, foreign exchange movements of £155m, offset by £1.1bn of depreciation and disposals.

There is a risk that an impairment required to the Group's rental fleet is not identified, properly quantified or recorded and that the carrying value of the rental fleet assets is misstated. Further risk has been identified as a result of the COVID-19 pandemic due to the potential impact on the utilisation and resale value of certain assets.

The Group's accounting policy as disclosed in Note 2 sets out that the assets are recorded at cost (including transportation costs from the manufacturer to the initial rental location), less accumulated depreciation and any provisions for impairment. The Group's approach for estimating the useful lives and residual values is also explained.

CARRYING VALUE OF RENTAL FLEET CONTINUED

How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter, we completed the following audit procedures: – we obtained an understanding of the relevant controls over the impairment review, and in particular, the identification of impairment indicators; – we challenged and understood the assessment performed by management to identify impairment indicators, including the consistency of these with the requirements of IAS 36, Impairment of Assets; – we challenged the key judgements and the impact that each of these has in determining whether an impairment exists. In particular, we focused our testing on returns on investment by asset class, fleet utilisation, useful economic lives and profits recorded on asset disposals; – we considered and challenged the completeness of the COVID-19 assessment, in light of trading since the pandemic arose, its impact on the performance of the business in March and April 2020 and compared it against previous economic downturns. In addition, we performed an evaluation of end markets and challenged whether any further impact should be considered in the impairment assessment; and – assessed whether the accounting for the rental fleet and associated disclosures were in line with the Group's accounting policies and IAS 36.
Key observations	We consider that management's consideration of carrying values, including useful lives and residual values is appropriate for the purposes of the impairment assessment. As a result of the audit work performed, we are satisfied that the carrying value of the rental fleet is not materially misstated.

REVENUE RECOGNITION – MANUAL TOP-SIDE INTERVENTION

Key audit matter description	As disclosed in the Group's accounting policy note on revenue (Note 2), rental revenue, including loss damage waiver and environmental fees, is recognised on a straight-line basis over the period of the rental contract. A rental contract can extend across financial reporting periods, and therefore the Group records accrued revenue (unbilled rental revenue) and deferred revenue (rental revenue billed, not yet earned) at the beginning and end of each reporting period so that rental revenue is appropriately stated in the financial statements. Given the high-volume and low-value nature of transactions in the Group's revenue balance, we identified a risk of misstatement arising from management intervention, whether due to fraud or error, through top-side journals including manipulation of the accrued revenue and deferred revenue judgements.
How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter, we completed the following audit procedures: – we obtained an understanding of the relevant controls over the revenue cycle throughout the Group, with a particular focus on those relating to manual journal entries; – we carried out data analysis at Sunbelt US to perform a detailed assessment by store, assessing revenue trends to identify any outliers and instances of potential management intervention; – we used data analytic techniques to identify and profile all manual top-side adjustments impacting the revenue balance, and performed testing on a sample basis of these adjustments, agreeing adjustments to supporting documentation in order to assess the accuracy and appropriateness of the journal postings; and – we performed further testing to agree revenue balances to supporting third-party evidence for the final two months of the year, which were impacted by COVID-19, and as such, did not follow trends exhibited in prior periods.
Key observations	Based on the procedures performed, we did not identify any material exceptions or evidence of management bias or manipulation of the revenue account and are satisfied that the amounts recorded are in line with the Group's accounting policies.

GOING CONCERN	
Key audit matter description	As stated in the accounting policies in Note 2 and the Directors' report on page 102, the consolidated financial statements have been prepared on the going concern basis. The Board of directors has concluded that there are no material uncertainties that may cast significant doubt over the Group's and the Company's ability to continue as a going concern for at least 12 months from the date of approval of the financial statements. As at 30 April 2020, the Group had cash and cash equivalents of £241m, a further $4.6bn committed under the asset-backed revolving credit facility (the 'ABL facility') of which $2.8bn (including letters of credit of $52m) was utilised at year end, and five series of senior notes outstanding each with a nominal value of $600m. The only financial covenant relates to the ABL, being a fixed charge ratio, and does not apply when availability exceeds $460m; as such, this covenant was not measured at 30 April 2020 and, in the view of the directors, is unlikely to be measured in the forthcoming quarters. The COVID-19 pandemic created uncertainty worldwide, to which the Group responded with a number of measures, including but not limited to, a reduction in capital expenditure for the year ending 30 April 2021, suspension of all acquisition activity and a pause of the Group's share buyback programme. In assessing the going concern assessment, the directors have considered the scenario planning over the medium term, including sensitivity analysis in light of market uncertainties presented by COVID-19. These sensitivities included a more significant sustained period of revenue reduction and reduced recoverability of receivables, whilst taking account of reasonable mitigating actions. The directors' forecasts, as well as reasonably possible downside scenarios, indicate that the Group has sufficient financial resources over the going concern period. As a result of the impact of COVID-19 on the Group and its wider end markets, we identified a key audit matter related to going concern due to the significant judgement required given the uncertainty in the current environment.

How the scope of our audit responded to the key audit matter	We performed the following audit procedures, which consider the impact of the uncertainty of the COVID-19 pandemic and going concern assessment performed:
	– we obtained an understanding of the relevant controls relating to the Group's forecasting process;
	– we verified the mechanical accuracy of the model used to prepare the Group's forecast;
	– we reviewed the facility agreements and bond documentation to understand the principal terms and the related financial covenant;
	– we challenged management on the appropriateness of forecast assumptions by:
	  – assessing key assumptions underpinning the Group's forecasts with reference to external data such as GDP growth rates, the latest US Congressional Budget Office forecasts and market forecast data from third-party sources;
	  – assessing the likelihood of the assumptions in the forecasts and the impact of reasonably possible downside scenarios on the Group's funding position;
	  – challenging management on the extent of the downside required in order to trigger the fixed charge ratio covenant and considering the likelihood of this downside being applicable by comparing the decrease in trading seen in April 2020 to levels of historical declines in the market cycle;
	  – comparing forecasts to historical financial information to assess management's historical forecasting accuracy; and
	  – assessing the mitigating actions available to the Group, challenging management on the reasonableness of these and the likelihood of being able to benefit in the next 12 months if necessary; and
	– we assessed the sufficiency of the Group's disclosure concerning the going concern basis.

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

Our application of materiality

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	COMPANY FINANCIAL STATEMENTS
MATERIALITY	£48.5m (2019: £45.0m)	£10.1m (2019: £18.8m)
BASIS FOR DETERMINING MATERIALITY	In determining our materiality, we took a three-year average profit before tax and applied a benchmark of 5% to arrive at materiality. This approach is consistent with the approach adopted in the prior year.	3% of the Company's net assets, which is consistent with the basis used in the prior year.
RATIONALE FOR THE BENCHMARK APPLIED	Profit before tax has been used as it is the primary measure of performance used by the Group. We have used average reported profit before tax over the past three years to reflect the cyclical nature of the industry in which the Group operates.	As the Company is a holding company, we considered net assets to be the most appropriate benchmark.

Performance materiality

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

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

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2m (2019: £2m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Audit work to respond to the risks of material misstatement consisted of a combination of work performed by separate component teams in the UK and US as well as the Group audit team in the UK.

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

The three components for which we performed full audit procedures represent 95% (2019: 96%) of the Group's revenue, 98% (2019: 98%) of the Group's operating profit, and 97% (2019: 98%) of the Group's net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatements identified above. Our audit work at the three locations was executed at levels of materiality applicable to each individual location, which were lower than Group materiality and ranged from £24.3m to £44.6m.

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

Working with other auditors

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

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

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

We also obtained an understanding of the legal and regulatory frameworks in which the Group operates, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, pensions legislation and overseas tax legislation.

Audit response to risks identified

As a result of performing the above, we identified revenue recognition as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Group's performance standards function (which is responsible for assessing store compliance with operating policies), the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities;
- in response to the identified instance of non-compliance with Part 23 of the Companies Act 2016, in relation to distributable reserves (see page 103), we assessed the directors' response to ascertain whether any further steps should be taken, including reviewing relevant legal advice received by the Group; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of directors in 2004 to audit the financial statements for the year ended 30 April 2004 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years, covering the years ended April 2004 to April 2020.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

WILLIAM SMITH
(SENIOR STATUTORY AUDITOR)
for and on behalf of Deloitte LLP
Statutory Auditor
London, UK
15 June 2020

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
for the year ended 30 April 2020

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2020

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

CONSOLIDATED BALANCE SHEET
At 30 April 2020

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

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

BRENDAN HORGAN
Chief executive

MICHAEL PRATT
Finance director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2020

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
At 1 May 2018	49.9	3.6	6.3	(161.0)	(20.0)	125.8	2,522.3	2,526.9
Profit for the year	–	–	–	–	–	–	796.9	796.9
Other comprehensive income:								
Foreign currency translation differences	–	–	–	–	–	108.9	–	108.9
Remeasurement of the defined benefit pension plan	–	–	–	–	–	–	(3.7)	(3.7)
Tax on defined benefit pension plan	–	–	–	–	–	–	0.7	0.7
Total comprehensive income for the year	–	–	–	–	–	108.9	793.9	902.8
Dividends paid	–	–	–	–	–	–	(164.2)	(164.2)
Own shares purchased by the ESOT	–	–	–	–	(14.2)	–	–	(14.2)
Own shares purchased by the Company	–	–	–	(461.6)	–	–	–	(461.6)
Share-based payments	–	–	–	–	9.6	–	(2.0)	7.6
Tax on share-based payments	–	–	–	–	–	–	3.2	3.2
At 30 April 2019	49.9	3.6	6.3	(622.6)	(24.6)	234.7	3,153.2	2,800.5
Effect of adoption of IFRS 16	–	–	–	–	–	–	8.1	8.1
At 1 May 2019 (restated)	49.9	3.6	6.3	(622.6)	(24.6)	234.7	3,161.3	2,808.6
Profit for the year	–	–	–	–	–	–	739.7	739.7
Other comprehensive income:								
Foreign currency translation differences	–	–	–	–	–	71.0	–	71.0
Remeasurement of the defined benefit pension plan	–	–	–	–	–	–	(10.8)	(10.8)
Tax on defined benefit pension plan	–	–	–	–	–	–	2.1	2.1
Total comprehensive income for the year	–	–	–	–	–	71.0	731.0	802.0
Dividends paid	–	–	–	–	–	–	(186.7)	(186.7)
Own shares purchased by the ESOT	–	–	–	–	(17.6)	–	–	(17.6)
Own shares purchased by the Company	–	–	–	(444.6)	–	–	–	(444.6)
Share-based payments	–	–	–	–	14.5	–	(6.1)	8.4
Tax on share-based payments	–	–	–	–	–	–	2.1	2.1
Cancellation of shares	(4.5)	–	4.5	951.3	–	–	(951.3)	–
At 30 April 2020	**45.4**	**3.6**	**10.8**	**(115.9)**	**(27.7)**	**305.7**	**2,750.3**	**2,972.2**

Further information is included in Note 21.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2020

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Cash generated from operations before exceptional items and changes in rental equipment	25(a)	**2,430.4**	2,042.5
Payments for rental property, plant and equipment		**(1,366.2)**	(1,503.5)
Proceeds from disposal of rental property, plant and equipment		**246.6**	181.6
Cash generated from operations		**1,310.8**	720.6
Financing costs paid (net)		**(196.9)**	(142.9)
Exceptional financing costs paid		**(12.4)**	–
Tax paid (net)		**(113.2)**	(51.0)
Net cash generated from operating activities		**988.3**	526.7
Cash flows from investing activities			
Acquisition of businesses	25(b)	**(453.1)**	(591.3)
Payments for non-rental property, plant and equipment		**(208.2)**	(168.7)
Proceeds from disposal of non-rental property, plant and equipment		**12.0**	10.2
Net cash used in investing activities		**(649.3)**	(749.8)
Cash flows from financing activities			
Drawdown of loans		**2,318.5**	1,820.3
Redemption of loans		**(1,712.4)**	(963.8)
Repayment of principal under lease liabilities		**(64.3)**	(1.2)
Dividends paid		**(186.7)**	(164.2)
Purchase of own shares by the ESOT		**(17.6)**	(14.2)
Purchase of own shares by the Company		**(448.6)**	(460.4)
Net cash (used in)/generated from financing activities		**(111.1)**	216.5
Increase/(decrease) in cash and cash equivalents		**227.9**	(6.6)
Opening cash and cash equivalents		**12.8**	19.1
Effect of exchange rate difference		**0.7**	0.3
Closing cash and cash equivalents		**241.4**	12.8

	2020 £m	2019 £m
Reconciliation of net cash flows to net debt		
(Increase)/decrease in cash in the period	**(227.9)**	6.6
Increase in debt through cash flow	**541.8**	855.3
Change in net debt from cash flows	**313.9**	861.9
Debt acquired	**89.5**	28.4
Exchange differences	**133.0**	126.3
Non-cash movements:		
– deferred costs of debt raising	**10.1**	15.4
– new lease liabilities	**188.8**	0.9
Increase in net debt in the period	**735.3**	1,032.9
Net debt at 1 May (as previously stated)	**3,744.9**	2,712.0
Effect of adoption of IFRS 16	**882.8**	–
Net debt at 1 May 2019 (restated)	**4,627.7**	2,712.0
Net debt at 30 April 2020	**5,363.0**	3,744.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Ashtead Group plc ('the Company') is a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange. The consolidated financial statements are presented in pounds sterling, the functional currency of the parent.

2 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Accordingly, the Group complies with all IFRS, including those adopted for use in the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared under the historical cost convention, modified for certain items carried at fair value, as stated in the accounting policies.

The consolidated financial statements have been prepared on the going concern basis. The Group's internal budgets and forecasts of future performance, available financing facilities and facility headroom (see Note 18), provide a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the consolidated financial statements.

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

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

Key judgements and estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period.

In the course of preparing the financial statements, judgement has been applied in the adoption of IFRS 16, Leases, as detailed further below. Otherwise no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised within the financial statements.

The estimates and associated assumptions which have been used are based on historical experience and other factors that are considered to be relevant. While actual results could differ from these estimates, the Group has not identified any assumptions, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Changes in accounting policies and disclosures

New and amended standards adopted by the Group

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

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

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

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

There are no new IFRIC Interpretations that are effective for the first time this financial year which have a material impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 May 2019 and not adopted early

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 April each year. Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is the fair value at the acquisition date of the assets transferred and the liabilities incurred by the Group and includes the fair value of any contingent consideration arrangement. Acquisition-related costs are recognised in the income statement as incurred.

Contingent consideration is measured at the acquisition date at fair value and included in provisions in the balance sheet. Changes in the fair value of contingent consideration due to events post the date of acquisition are recognised in the income statement.

Foreign currency translation

Our reporting currency is the pound sterling, the functional currency of the parent company. However, the majority of our assets, liabilities, revenue and costs are denominated in US dollars. Assets and liabilities in foreign currencies are translated into pounds sterling at rates of exchange ruling at the balance sheet date. Income statements and cash flows of overseas subsidiary undertakings are translated into pounds sterling at average rates of exchange for the year. The exchange rates used in respect of the US dollar ($) and Canadian dollar (C$) are:

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

Exchange differences arising from the retranslation of the opening net investment of overseas subsidiaries and the difference between the inclusion of their profits at average rates of exchange in the Group income statement and the closing rate used for the balance sheet are recognised directly in a separate component of equity. Other exchange differences are dealt with in the income statement.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties and VAT/sales tax. Our revenue is a function of our rental rates and the size, utilisation and mix of our equipment rental fleet. The Group has three main sources of revenue as detailed below:

- rental revenue, including loss damage waiver, environmental fees and revenue from rental equipment delivery and collection;
- revenue from the sale of new equipment, merchandise and consumables; and
- revenue from the sale of used rental equipment.

Rental revenue, including loss damage waiver and environment fees, is recognised over time on a straight-line basis over the period of the rental contract. However, as a rental contract can extend across financial reporting period ends, the Group records accrued revenue (unbilled rental revenue) and deferred revenue at the beginning and end of each reporting period so that rental revenue is appropriately stated in the financial statements. Revenue from rental delivery and collection is recognised when the delivery or collection has occurred and the performance obligation therefore fulfilled.

Revenue from the sale of new rental equipment, merchandise and consumables, together with revenue from the sale of used rental equipment, is recognised at the time of delivery to, or collection by, the customer and when all performance obligations under the sale contract have been fulfilled.

Revenue from the sale of rental equipment in connection with trade-in arrangements with certain manufacturers from whom the Group purchases new equipment is accounted for at the lower of transaction value or fair value based on independent appraisals. If the trade-in price of a unit of equipment exceeds the fair market value of that unit, the excess is accounted for as a reduction of the cost of the related purchase of new rental equipment.

Of the Group's rental revenue, £3,938m (2019: £3,525m) is accounted for in accordance with IFRS 16, Leases, while revenue from other ancillary services, revenue from the sale of new equipment, merchandise and consumables and revenue from the sale of used equipment totalling £1,116m (2019: £975m) is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers.

Investment income and interest expense

Investment income comprises interest receivable on funds invested and net interest on net defined benefit pension plan assets.

Interest expense comprises interest payable on borrowings, amortisation of deferred debt raising costs, the unwind of the discount on the self-insurance and contingent consideration provisions and the net interest on net defined benefit pension plan liabilities.

Exceptional items

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

Earnings per share

Earnings per share is calculated based on the profit for the financial year and the weighted average number of ordinary shares in issue during the year. For this purpose the number of ordinary shares in issue excludes shares held by the Company or by the Employee Share Ownership Trust in respect of which dividends have been waived. Diluted earnings per share is calculated using the profit for the financial year and the weighted average diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive) during the year.

Underlying earnings per share comprises basic earnings per share adjusted to exclude earnings relating to exceptional items and amortisation of intangibles.

2 ACCOUNTING POLICIES (CONTINUED)

Current/non-current distinction

Current assets include assets held primarily for trading purposes, cash and cash equivalents and assets expected to be realised in, or intended for sale or consumption in, the course of the Group's operating cycle and those assets receivable within one year from the reporting date. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Property, plant and equipment

Property, plant and equipment is stated at cost (including transportation costs from the manufacturer to the initial rental location) less accumulated depreciation and any provisions for impairment. In respect of certain assets, cost includes rebuild costs when the rebuild extends the asset's useful economic life and it is probable that incremental economic benefits will accrue to the Group. Rebuild costs include the cost of transporting the equipment to and from the rebuild supplier. Depreciation is not charged while the asset is not in use during the rebuild period.

Depreciation

Fixed assets are depreciated on a straight-line basis applied to the opening cost to write down each asset to its residual value over its useful economic life. Estimates of useful life and residual value are determined with the objective of allocating most appropriately the cost of property, plant and equipment to our income statement, over the period we anticipate it will be used in our business. Residual values and estimated useful economic lives are reassessed annually, recognising the cyclical nature of the business, by making reference to recent experience of the Group. The depreciation rates in use are as follows:

	Per annum
Freehold property	2%
Motor vehicles	7% to 25%
Rental equipment	4% to 33%
Office and workshop equipment	20%

Residual values are estimated at 10-15% of cost in respect of most types of rental equipment, although the range of residual values used varies between zero and 35%.

Repairs and maintenance

Costs incurred in the repair and maintenance of rental and other equipment are charged to the income statement as incurred.

Intangible assets

Goodwill

Goodwill represents the difference between the fair value of the consideration for an acquisition and the fair value of the net identifiable assets acquired, including any intangible assets other than goodwill.

Goodwill is stated at cost less any accumulated impairment losses and is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

Other intangible assets

Other intangible assets acquired as part of a business combination are capitalised at fair value as at the date of acquisition. Internally generated intangible assets are not capitalised. Amortisation is charged on a straight-line basis over the expected useful life of each asset. Contract related intangible assets are amortised over the life of the contract. Amortisation rates for other intangible assets are as follows:

	Per annum
Brand names	7% to 15%
Customer lists	10% to 20%
Contract related	14% to 50%

Impairment of assets

Goodwill is not amortised but is tested annually for impairment as at 30 April each year. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows for the asset being tested for impairment (cash-generating unit).

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

Taxation

The tax charge for the period comprises both current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts for financial reporting purposes and those for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are not recognised for temporary differences arising on investments in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories, which comprise equipment, fuel, merchandise and spare parts, are valued at the lower of cost and net realisable value. The cost of inventory that is not ordinarily interchangeable is valued at individual cost. The cost of other inventories is determined on a first-in, first-out basis or using a weighted average cost formula, depending on the basis most suited to the type of inventory held.

Employee benefits

Defined contribution pension plans

Obligations under the Group's defined contribution plans are recognised as an expense in the income statement as incurred.

Defined benefit pension plans

The Group's obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of plan assets is deducted. The discount rate used is the yield at the balance sheet date on AA-rated corporate bonds. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised in full in the period in which they arise through the statement of comprehensive income. The increase in the present value of plan liabilities arising from employee service during the period is charged to operating profit.

Net interest is calculated by applying a discount rate to the net defined benefit pension plan asset or liability. The net interest income or net interest expense is included in investment income or interest expense, respectively.

The defined pension surplus or deficit represents the fair value of the plan assets less the present value of the defined benefit obligation. A surplus is recognised in the balance sheet to the extent that the Group has an unconditional right to the surplus, either through a refund or reduction in future contributions. A deficit is recognised in full.

Share-based compensation

The fair value of awards made under share-based compensation plans is measured at grant date and spread over the vesting period through the income statement with a corresponding increase in equity. The fair value of share options and awards is measured using an appropriate valuation model taking into account the terms and conditions of the individual award. The amount recognised as an expense is adjusted to reflect the actual awards vesting except where any change in the awards vesting relates only to market-based criteria not being achieved.

Insurance

Insurance costs include insurance premiums which are written off to the income statement over the period to which they relate and an estimate of the discounted liability for uninsured retained risks on unpaid claims incurred up to the balance sheet date. The estimate includes events incurred but not reported at the balance sheet date. This estimate is discounted and included in provisions in the balance sheet on a gross basis with a corresponding insurance receivable amount recognised as an asset where it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Trade receivables

Trade receivables do not carry interest and are stated at face value as reduced by appropriate loss allowances for estimated irrecoverable amounts using an expected credit loss model. This approach requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date so as to reflect changes in credit risk since initial recognition of the trade receivable.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with maturity of less than, or equal to, three months.

Financial liabilities and equity

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Trade payables

Trade payables are not interest bearing and are stated at fair value and subsequently measured at amortised cost using the effective interest rate mentioned.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct transaction costs where these are integral to the total cost of the borrowing. Where this is not the case, direct transaction costs are recognised separately from the financial liability as a loan commitment asset. Finance charges, including amortisation of direct transaction costs, are charged to the income statement using the effective interest rate method.

Tranches of borrowings and overdrafts which mature on a regular basis are classified as current or non-current liabilities based on the maturity of the facility so long as the committed facility exceeds the drawn debt.

2 ACCOUNTING POLICIES (CONTINUED)

Net debt

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

Senior notes

The Group's senior notes contain early repayment options, which constitute embedded derivatives in accordance with IFRS 9, Financial Instruments. The accounting for these early repayment options depends on whether they are considered to be closely related to the host contract or not based on IFRS 9. Where they are closely related, the early repayment option is not accounted for separately and the notes are recorded within borrowings, net of direct transaction costs. The interest expense is calculated by applying the effective interest rate method.

In circumstances where the early repayment option is not considered closely related to the host contract, the repayment option has to be valued separately. At the date of issue the liability component of the notes is estimated using prevailing market interest rates for similar debt with no repayment option and is recorded within borrowings, net of direct transaction costs. The difference between the proceeds of the note issue and the fair value assigned to the liability component, representing the embedded option to prepay the notes is included within Other financial assets – derivatives. The interest expense on the liability component is calculated by applying the effective interest rate method. The embedded option to prepay is fair valued using an appropriate valuation model and fair value remeasurement gains and losses are included in investment income and interest expense respectively.

Where the Group's senior notes are issued at a premium or a discount, they are initially recognised at their face value plus or minus the premium or discount. The notes are subsequently measured at amortised cost using the effective interest rate method.

Leases

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

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

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

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

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

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

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

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

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Employee Share Ownership Trust

Shares in the Company acquired by the Employee Share Ownership Trust ('ESOT') in the open market for use in connection with employee share plans are presented as a deduction from shareholders' funds. When the shares vest to satisfy share-based payments, a transfer is made from own shares held through the ESOT to retained earnings.

Own shares held by the Company

The cost of own shares held by the Company is deducted from shareholders' funds. The proceeds from the reissue of own shares are added to shareholders' funds with any gains in excess of the average cost of the shares being recognised in the share premium account.

3 SEGMENTAL ANALYSIS

Segmental analysis by reportable operating segment

The Group operates one class of business: rental of equipment. Operationally, the Group is split into three business units, Sunbelt US, Sunbelt UK and Sunbelt Canada which report separately to, and are managed by, the chief executive and align with the geographies in which they operate, being the United States, the United Kingdom and Canada, respectively. Accordingly, the Group's reportable operating segments are Sunbelt US, Sunbelt UK and Sunbelt Canada.

The Group manages debt and taxation centrally, rather than by business unit. Accordingly, segmental results are stated before interest and taxation which are reported as central Group items. This is consistent with the way the chief executive reviews the business.

There are no sales between the business segments. Segment assets include property, plant and equipment, goodwill, intangibles, inventory and receivables. Segment liabilities comprise operating liabilities and exclude taxation balances, corporate borrowings and accrued interest. Capital expenditure represents additions to property, plant and equipment and intangible assets, including goodwill, and includes additions through the acquisition of businesses.

Year ended 30 April 2020	US £m	UK £m	Canada £m	Corporate items £m	Group £m
Revenue					
Rental revenue	3,985.2	407.8	213.5	–	4,606.5
Sale of new equipment, merchandise and consumables	132.5	30.3	21.2	–	184.0
Sale of used rental equipment	218.0	31.1	14.0	–	263.1
	4,335.7	469.2	248.7	–	5,053.6
EBITDA	2,149.0	148.6	92.8	(14.6)	2,375.8
Depreciation	(916.9)	(112.2)	(60.6)	(0.8)	(1,090.5)
Segment result	1,232.1	36.4	32.2	(15.4)	1,285.3
Amortisation					(61.7)
Net financing costs					(224.5)
Exceptional items					(16.3)
Profit before taxation					982.8
Taxation					(243.1)
Profit attributable to equity shareholders					739.7
Segment assets	8,639.5	835.2	776.4	7.3	10,258.4
Cash					241.4
Taxation assets					32.8
Total assets					10,532.6
Segment liabilities	1,438.4	149.0	152.5	13.0	1,752.9
Corporate borrowings and accrued interest					4,530.9
Taxation liabilities					1,276.6
Total liabilities					7,560.4
Other non-cash expenditure – share-based payments	4.9	0.7	0.2	2.6	8.4
Capital expenditure	1,622.6	85.4	260.4	–	1,968.4

3 SEGMENTAL ANALYSIS (CONTINUED)

Year ended 30 April 2019	US £m	UK £m	Canada £m	Corporate items £m	Group £m
Revenue					
Rental revenue	3,554.2	416.4	167.4	–	4,138.0
Sale of new equipment, merchandise and consumables	118.4	32.5	19.6	–	170.5
Sale of used rental equipment	151.7	26.2	13.2	–	191.1
	3,824.3	475.1	200.2	–	4,499.6
EBITDA	1,880.9	168.4	72.2	(14.9)	2,106.6
Depreciation	(696.6)	(106.1)	(40.3)	–	(843.0)
Segment result	1,184.3	62.3	31.9	(14.9)	1,263.6
Amortisation					(50.7)
Net financing costs					(153.4)
Profit before taxation					1,059.5
Taxation					(262.6)
Profit attributable to equity shareholders					796.9
Segment assets	6,991.8	851.6	475.7	0.3	8,319.4
Cash					12.8
Taxation assets					25.3
Total assets					8,357.5
Segment liabilities	592.5	68.2	31.0	12.2	703.9
Corporate borrowings and accrued interest					3,775.6
Taxation liabilities					1,077.5
Total liabilities					5,557.0
Other non-cash expenditure – share-based payments	4.7	0.7	0.1	2.1	7.6
Capital expenditure	1,881.1	181.0	141.5	–	2,203.6

Segmental analysis by geography

The Group's operations are located in the United States, the United Kingdom and Canada. The following table provides an analysis of the Group's revenue, segment assets and capital expenditure, including expenditure on acquisitions, by country of domicile. Segment assets by geography include property, plant and equipment, goodwill, intangible assets and right-of-use assets but exclude inventory and receivables.

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

4 OPERATING COSTS AND OTHER INCOME

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

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

The costs shown in the above table include:

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

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

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

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

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

Fees paid for audit-related assurance services relate to the half-year review of the Group's interim financial statements. Other assurance services relate to comfort letters provided in connection with the senior notes issues in November 2019 and July 2018.

5 EXCEPTIONAL ITEMS AND AMORTISATION

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

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

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

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

6 NET FINANCING COSTS

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

7 TAXATION

The tax charge on the result for the year has been computed using a tax rate of 25% in the US (2019: 25%), 19% in the UK (2019: 19%) and 27% in Canada (2019: 27%). The blended rate for the Group as a whole is 25% (2019: 25%). The Group's future effective tax rate will depend on the mix of profits amongst the territories in which it operates and their respective tax rates.

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

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

The differences between the tax charge for the year of 25% and the standard rate of corporation tax in the UK of 19% are explained below:

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

8 DIVIDENDS

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

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

9 EARNINGS PER SHARE

	2020			2019		
	Earnings £m	**Weighted average no. of shares million**	**Per share amount pence**	Earnings £m	Weighted average no. of shares million	Per share amount pence
Basic earnings per share	**739.7**	**456.4**	**162.1**	796.9	479.7	166.1
Share options and share plan awards	**–**	**1.6**	**(0.6)**	–	2.0	(0.7)
Diluted earnings per share	**739.7**	**458.0**	**161.5**	796.9	481.7	165.4

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

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

10 INVENTORIES

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

11 TRADE AND OTHER RECEIVABLES

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

The fair values of trade and other receivables are not materially different to the carrying values presented.

a) Trade receivables: credit risk

The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in Note 24. The credit periods offered to customers vary according to the credit risk profiles of, and the invoicing conventions established in, the Group's markets. The contractual terms on invoices issued to customers vary between North America and the UK in that, invoices issued by Sunbelt UK are payable within 30–60 days whereas, invoices issued by Sunbelt US and Sunbelt Canada are payable on receipt. Therefore, on this basis, a significant proportion of the Group's trade receivables are contractually past due. The loss allowance is calculated based on prior experience reflecting the level of uncollected receivables over the last year within each business adjusted for factors that are specific to the debtors, the industry in which we operate and the economic environment which has been impacted by COVID-19. Accordingly, this cannot be attributed to specific receivables so the aged analysis of trade receivables, including those past due, is shown gross of the loss allowance.

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

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

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

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

b) Movement in the loss allowance

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

12 CASH AND CASH EQUIVALENTS

	2020 £m	2019 £m
Cash and cash equivalents	**241.4**	12.8

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

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Rental equipment £m	Office and workshop equipment £m	Motor vehicles: Owned £m	Motor vehicles: Held under finance leases £m	Total £m
Cost or valuation						
At 1 May 2018	190.6	6,566.8	142.3	472.5	7.7	7,379.9
Exchange differences	7.7	309.8	6.2	21.9	–	345.6
Acquisitions	20.3	454.3	3.9	28.4	–	506.9
Reclassifications	–	(3.6)	1.1	2.5	–	–
Additions	41.6	1,416.8	33.3	93.6	1.8	1,587.1
Disposals	(2.9)	(461.7)	(6.4)	(41.9)	(2.4)	(515.3)
At 30 April 2019	257.3	8,282.4	180.4	577.0	7.1	9,304.2
Effect of adoption of IFRS 16	–	–	–	–	(7.1)	(7.1)
Exchange differences	6.1	235.0	4.4	16.0	–	261.5
Acquisitions	39.5	318.6	12.7	17.7	–	388.5
Reclassifications	–	(3.6)	1.1	2.5	–	–
Additions	31.9	1,274.3	41.5	135.3	–	1,483.0
Disposals	(4.5)	(697.2)	(8.3)	(49.7)	–	(759.7)
At 30 April 2020	**330.3**	**9,409.5**	**231.8**	**698.8**	**–**	**10,670.4**
Depreciation						
At 1 May 2018	73.4	2,136.3	89.4	196.2	2.6	2,497.9
Exchange differences	2.7	98.9	4.0	8.9	–	114.5
Acquisitions	–	194.9	2.5	12.6	–	210.0
Reclassifications	–	(1.7)	0.5	1.2	–	–
Charge for the period	14.3	745.5	22.5	59.5	1.2	843.0
Disposals	(2.5)	(304.8)	(5.7)	(33.7)	(1.5)	(348.2)
At 30 April 2019	87.9	2,869.1	113.2	244.7	2.3	3,317.2
Effect of adoption of IFRS 16	–	–	–	–	(2.3)	(2.3)
Exchange differences	1.9	80.2	2.9	6.8	–	91.8
Acquisitions	8.8	162.7	7.8	9.8	–	189.1
Reclassifications	–	(1.5)	0.5	1.0	–	–
Charge for the period	18.0	879.6	30.2	71.0	–	998.8
Disposals	(4.3)	(470.7)	(7.3)	(40.7)	–	(523.0)
At 30 April 2020	**112.3**	**3,519.4**	**147.3**	**292.6**	**–**	**4,071.6**
Net book value						
At 30 April 2020	**218.0**	**5,890.1**	**84.5**	**406.2**	**–**	**6,598.8**
At 30 April 2019	169.4	5,413.3	67.2	332.3	4.8	5,987.0

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

14 RIGHT-OF-USE ASSETS

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

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

15 INTANGIBLE ASSETS INCLUDING GOODWILL

		Other intangible assets				
	Goodwill £m	Brand names £m	Customer lists £m	Contract related £m	Total £m	Total £m
Cost or valuation						
At 1 May 2018	882.6	19.8	303.2	53.8	376.8	1,259.4
Recognised on acquisition	221.2	0.4	88.6	9.2	98.2	319.4
Exchange differences	40.9	0.9	14.1	1.6	16.6	57.5
At 30 April 2019	1,144.7	21.1	405.9	64.6	491.6	1,636.3
Recognised on acquisition	163.7	1.2	118.3	2.8	122.3	286.0
Exchange differences	31.9	0.6	10.4	1.3	12.3	44.2
At 30 April 2020	**1,340.3**	**22.9**	**534.6**	**68.7**	**626.2**	**1,966.5**
Amortisation						
At 1 May 2018	–	18.6	116.1	35.8	170.5	170.5
Charge for the period	–	0.9	42.8	7.0	50.7	50.7
Exchange differences	–	0.9	7.7	1.2	9.8	9.8
At 30 April 2019	–	20.4	166.6	44.0	231.0	231.0
Charge for the period	–	0.9	53.6	7.2	61.7	61.7
Exchange differences	–	0.6	5.7	1.1	7.4	7.4
At 30 April 2020	**–**	**21.9**	**225.9**	**52.3**	**300.1**	**300.1**
Net book value						
At 30 April 2020	**1,340.3**	**1.0**	**308.7**	**16.4**	**326.1**	**1,666.4**
At 30 April 2019	1,144.7	0.7	239.3	20.6	260.6	1,405.3

15 INTANGIBLE ASSETS INCLUDING GOODWILL (CONTINUED)

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ('CGUs') that benefit from that business combination. During the year, the Group reviewed its CGUs and, as a result of an internal reorganisation, amended the previous Pump and Power CGU within Sunbelt US to Power & HVAC. Prior year comparatives have been restated accordingly. As such, goodwill allocated to each of the Group's CGUs is as follows:

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

For the purposes of determining potential goodwill impairment, recoverable amounts are determined from value in use calculations using cash flow projections based on the Group's latest forecast for 2020/21, taking into account the COVID-19 pandemic, which was approved by the Board in June 2020 and management plans for a further two years. The key assumptions for these financial plans are those regarding revenue growth, margins and capital expenditure required to replace the rental fleet and support the growth forecast which management estimates based on past experience, market conditions and expectations for the future development of the market. The projections consist of the 2020/21 forecast, a further two years based on management's forecasts with reference to current market expectations and a further seven years' cash flows. The valuation uses an annual growth rate to determine the cash flows beyond the three-year forecast period of 2%, which does not exceed the average long-term growth rates for the relevant markets, a terminal value reflective of market multiples and discount rates of 11%, 10% and 11% for the US, UK and Canadian businesses respectively.

The impairment review is potentially sensitive to changes in key assumptions used, most notably the discount rate and the annuity growth rates. A sensitivity analysis has been undertaken by changing the key assumptions used for each CGU in US, UK and Canada. Based on this sensitivity analysis, no reasonably possible change in the assumptions resulted in the recoverable amount for the CGUs identified above being reduced to their carrying value.

US

General equipment and related businesses

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

Power & HVAC and Climate Control

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

UK

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

Canada

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

16 TRADE AND OTHER PAYABLES

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

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

17 LEASE LIABILITIES

Approach to transition on adoption of IFRS 16, Leases

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

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

Practical expedients adopted on transition

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

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

Financial impact

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

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

17 LEASE LIABILITIES (CONTINUED)

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

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

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

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

Amounts recognised in the balance sheet

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

Amounts recognised in the income statement

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

Amounts recognised in the statement of cash flows

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

18 BORROWINGS

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

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

First priority senior secured credit facility

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

The only financial performance covenant under the asset-based first priority senior bank facility is a fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last 12 months) which must be equal to or greater than 1.0 times.

This covenant does not, however, apply when availability (the difference between the borrowing base and facility utilisation) exceeds $460m. At 30 April 2020 availability under the bank facility, including cash on the balance sheet, was $2,363m ($1,622m at 30 April 2019), with an additional $2,147m of suppressed availability meaning that the covenant was not measured at 30 April 2020 and is unlikely to be measured in forthcoming quarters.

18 BORROWINGS (CONTINUED)

Senior notes

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

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

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

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

19 PROVISIONS

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

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

Insurance provisions relate to the discounted estimated gross liability in respect of claims to be incurred under the Group's insurance programmes for events occurring up to the year end and are expected to be utilised over a period of approximately eight years. The provision is established based on advice received from independent actuaries of the estimated total cost of the insured risk based on historical claims experience. £18m (2019: £14m) of this total liability is due from insurers and is included within 'other receivables'.

The provision for contingent consideration relates to recent acquisitions and is expected to be paid out over the next three years and is reassessed at each reporting date.

20 DEFERRED TAX

Deferred tax assets

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

Deferred tax liabilities

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

The Group has not recognised a deferred tax asset in respect of losses carried forward in a non-trading UK company of £6m (2019: £6m) as it is not considered probable this deferred tax asset will be utilised.

At the balance sheet date, no temporary differences associated with undistributed earnings of subsidiaries are considered to exist as UK tax legislation largely exempts overseas dividends received from UK tax.

21 SHARE CAPITAL AND RESERVES

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

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

22 SHARE-BASED PAYMENTS

The ESOT facilitates the provision of shares under the Group's Performance Share Plan ('PSP'). It holds a beneficial interest in 1,518,150 ordinary shares of the Company acquired at an average cost of 1,826p per share. The shares had a market value of £33m at 30 April 2020. The ESOT has waived the right to receive dividends on the shares it holds. The costs of operating the ESOT are borne by the Group but are not significant.

Details of the PSP are given on pages 90 and 95. The costs of this scheme are charged to the income statement over the vesting period, based on the fair value of the award at the grant date and the likelihood of allocations vesting under the scheme. In 2020, there was a net charge to pre-tax profit in respect of the PSP of £8m (2019: £8m). After tax, the total charge was £6m (2019: £6m).

The fair value of awards granted during the year is estimated using a Black-Scholes option pricing model with the following assumptions: share price at grant date of 2,320p, nil exercise price, a dividend yield of 1.42%, volatility of 27.08%, a risk-free rate of 0.44% and an expected life of three years.

Expected volatility was determined by calculating the historical volatility over the previous three years. The expected life used in the model is based on the terms of the plan.

Details of the PSP awards outstanding during the year are as follows:

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

23 PENSIONS

Defined contribution plans

The Group operates pension plans for the benefit of qualifying employees. The plans for new employees throughout the Group are all defined contribution plans. Pension costs for defined contribution plans were £20m (2019: £16m).

Defined benefit plan

The Group also has a defined benefit plan for certain UK employees which was closed to new members in 2001. The plan is a funded defined benefit plan with trustee-administered assets held separately from those of the Group. The Trustees are composed of representatives of both the Company and plan members. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy of the assets and the day-to-day administration of the benefits.

The plan is a final salary plan which provides members a guaranteed level of pension payable for life. The level of benefits provided by the plan depends on members' length of service and their salary in the final years leading up to retirement.

The plan's duration is an indicator of the weighted-average time until benefit payments are made. For the plan as a whole, the duration is around 20 years. The estimated amount of contributions expected to be paid by the Group to the plan during the 2020/21 financial year is £0.8m.

The plan exposes the Group to a number of risks, the most significant being investment risk, interest rate risk, inflation risk and life expectancy risk.

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

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

Pensioner life expectancy assumed in the 30 April 2020 update is based on the 'S3PA CMI 2019' projection model mortality tables adjusted so as to apply a minimum annual rate of improvement of 1.25% a year. Samples of the ages to which pensioners are assumed to live are as follows:

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

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

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

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

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

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

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

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

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

23 PENSIONS (CONTINUED)

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

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

The key assumptions used in valuing the defined benefit obligation are: discount rate, inflation and mortality. The sensitivity of the results to these assumptions is as follows:

- An increase in the discount rate of 0.5% would result in a £10m (2019: £9m) decrease in the defined benefit obligation.
- An increase in the inflation rate of 0.5% would result in an £9m (2019: £8m) increase in the defined benefit obligation. This includes the resulting change to other assumptions that are related to inflation such as pensions and salary growth.
- A one-year increase in the pensioner life expectancy at age 65 would result in a £5m (2019: £5m) increase in the defined benefit obligation.

The above sensitivity analyses have been determined based on reasonably possible changes to the significant assumptions, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date. This is the same approach as has been adopted in previous periods.

Movements in the fair value of plan assets were as follows:

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

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

24 FINANCIAL RISK MANAGEMENT

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

It is the role of the Group treasury function to manage and monitor the Group's financial risks and internal and external funding requirements in support of the Group's corporate objectives. Treasury activities are governed by policies and procedures approved by the Board and monitored by the Finance and Administration Committee. In particular, the Board of directors or, through delegated authority, the Finance and Administration Committee, approves any derivative transactions. Derivative transactions are only undertaken for the purposes of managing interest rate risk and currency risk. The Group does not trade in financial instruments. The Group maintains treasury control systems and procedures to monitor liquidity, currency, credit and financial risks. The Group reports its financial results and pays dividends in pounds sterling.

Market risk

The Group's activities expose it primarily to interest rate and currency risk. Interest rate risk is monitored on a continuous basis and managed, where appropriate, through the use of interest rate swaps whereas, the use of forward foreign exchange contracts to manage currency risk is considered on an individual non-trading transaction basis. The Group is not exposed to commodity price risk or equity price risk as defined in IFRS 7.

Interest rate risk

Management of fixed and variable rate debt

The Group has fixed and variable rate debt in issue with 52% of the drawn debt at a fixed rate as at 30 April 2020, excluding lease liabilities. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result, the carrying value of fixed rate debt is unaffected by changes in credit conditions in the debt markets and there is therefore no exposure to fair value interest rate risk. The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the senior secured credit facility. The interest rates currently applicable to this variable rate debt are LIBOR as applicable to the currency borrowed plus 150bp for $4.1bn of the facility and pricing is LIBOR plus 225bp, with a LIBOR floor of 75bp, for the other $500m. The Group periodically utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. However, during the year ended and as at 30 April 2020, the Group had no such swap agreements outstanding. The Group also may at times hold cash and cash equivalents which earn interest at a variable rate.

Net variable rate debt sensitivity

At 30 April 2020, based upon the amount of variable rate debt outstanding, the Group's pre-tax profits would change by approximately £20m for each one percentage point change in interest rates applicable to the variable rate debt and, after tax effects, equity would change by approximately £14m. The amount of the Group's variable rate debt may fluctuate as a result of changes in the amount of debt outstanding under the senior secured credit facility.

Currency risk

Currency risk is limited to translation risk as there are no transactions in the ordinary course of business that take place between foreign entities. The Group's reporting currency is the pound sterling. However, the majority of our assets, liabilities, revenue and costs are denominated in US dollars. The Group has arranged its financing such that, at 30 April 2020, 92% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 30 April 2020, dollar-denominated debt represented approximately 67% of the value of dollar-denominated net assets (other than debt).

The Group's exposure to exchange rate movements on trading transactions is relatively limited. All Group companies invoice revenue in their respective local currency and generally incur expense and purchase assets in their local currency. Consequently, the Group does not routinely hedge either forecast foreign currency exposures or the impact of exchange rate movements on the translation of overseas profits into sterling. Where the Group does hedge, it maintains appropriate hedging documentation. Foreign exchange risk on significant non-trading transactions (e.g. acquisitions) is considered on an individual basis.

Resultant impacts of reasonably possible changes to foreign exchange rates

Based upon the level of US operations and the US dollar-denominated debt balance, at 30 April 2020 a 1% change in the US dollar-pound exchange rate would have impacted our pre-tax profits by approximately £11m and equity by approximately £34m. At 30 April 2020, the Group had no outstanding foreign exchange contracts.

Credit risk

The Group's principal financial assets are cash and bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of the loss allowance. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the financial statements, which are net of impairment losses, represent the Group's maximum exposure to credit risk.

The Group has a large number of unrelated customers, serving over 745,000 during the financial year, and does not have any significant credit exposure to any particular customer. Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the markets they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage it more effectively. However, broad principles of credit risk management practice are observed across the Group, such as the use of credit reference agencies and the maintenance of credit control functions.

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

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

In addition to the strong free cash flow from normal trading activities, additional liquidity is available through the Group's ABL facility. At 30 April 2020, availability under the $4.6bn facility, including cash on the balance sheet, was $2,363m (£1,874m), which compares with the threshold of $460m, above which the covenant does not apply.

Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial asset held by the Group, are settled gross by customers.

The following table presents the Group's outstanding contractual maturity profile for its non-derivative financial liabilities, excluding trade and other payables which fall due within one year and lease liabilities which are analysed within Note 17. The analysis presented is based on the undiscounted contractual maturities of the Group's financial liabilities, including any interest that will accrue, except where the Group is entitled and intends to repay a financial liability, or part of a financial liability, before its contractual maturity. The undiscounted cash flows have been calculated using foreign currency exchange rates and interest rates ruling at the balance sheet date.

At 30 April 2020

	Undiscounted cash flows – year to 30 April						
	2021 £m	2022 £m	2023 £m	2024 £m	2025 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	2,141.9	–	–	2,141.9
4.125% senior notes	–	–	–	–	–	475.7	475.7
5.250% senior notes	–	–	–	–	–	475.7	475.7
4.375% senior notes	–	–	–	–	–	475.7	475.7
4.000% senior notes	–	–	–	–	–	475.7	475.7
4.250% senior notes	–	–	–	–	–	475.7	475.7
	–	–	–	2,141.9	–	2,378.5	4,520.4
Interest payments	160.0	158.8	158.8	140.8	104.7	232.7	955.8
	160.0	158.8	158.8	2,282.7	104.7	2,611.2	5.476.2

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

At 30 April 2019

	Undiscounted cash flows – year to 30 April						
	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	–	2,010.7	–	2,010.7
Finance leases	2.3	1.5	0.9	0.3	–	–	5.0
5.625% senior notes	–	–	–	–	–	383.5	383.5
4.125% senior notes	–	–	–	–	–	460.3	460.3
5.250% senior notes	–	–	–	–	–	460.3	460.3
4.375% senior notes	–	–	–	–	–	460.3	460.3
	2.3	1.5	0.9	0.3	2,010.7	1,764.4	3,780.1
Interest payments	158.8	158.7	158.6	158.5	89.5	154.2	878.3
	161.1	160.2	159.5	158.8	2,100.2	1,918.6	4,658.4

Fair value of financial instruments

Financial assets and liabilities are measured in accordance with the fair value hierarchy and assessed as Level 1, 2 or 3 based on the following criteria:

- Level 1: fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Fair value of derivative financial instruments

At 30 April 2020, the Group had no derivative financial instruments. The embedded prepayment options included within the senior notes are either closely related to the host debt contract or immaterial and hence, are not accounted for separately. These loan notes are carried at amortised cost.

Fair value of non-derivative financial assets and liabilities

The table below provides a comparison, by category of the carrying amounts and the fair values of the Group's non-derivative financial assets and liabilities at 30 April 2020.

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

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

Contingent consideration provisions are a Level 3 financial liability. Future anticipated payments to vendors in respect of contingent consideration are initially recorded at fair value which is the present value of the expected cash outflows of the obligations. The obligations are dependent upon the future financial performance of the businesses acquired. The fair value is estimated based on internal financial projections prepared in relation to the acquisition with the contingent consideration discounted to present value using a discount rate in line with the Group's cost of debt.

25 NOTES TO THE CASH FLOW STATEMENT

a) Cash flow from operating activities

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

b) Acquisitions

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

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

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

c) Analysis of net debt

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

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

			Non-cash movements			
	1 May 2018 £m	Cash flow £m	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

26 ACQUISITIONS

During the year, the following acquisitions were completed:

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

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

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

iv) On 20 June 2019, Sunbelt US acquired the business and assets of Six and Mango, LLP ('SME'). SME is a general equipment business in Texas.

v) On 28 June 2019, Sunbelt UK acquired the entire share capital of Ellerbeck Industries Limited, trading as Inlec UK Limited ('Inlec') and Evercal Limited ('Evercal'). Inlec and Evercal are industrial test and measurement businesses.

vi) On 19 July 2019, Sunbelt US acquired the business and assets of King Equipment, LLC ('King') for a cash consideration of £152m ($191m), including properties for £21m, with contingent consideration of up to £2m ($3m) payable over the next year depending on revenue meeting or exceeding certain thresholds. King is a general equipment business in California.

vii) On 28 August 2019, Sunbelt US acquired the business and assets of Redi-Rents, Inc. ('Redi-Rents'). Redi-Rents is a general equipment business in California.

viii) On 5 September 2019, Sunbelt US acquired the business and assets of Midwest Scaffold Services, LLC ('MSS'). MSS is a scaffold business in the US midwest.

ix) On 1 October 2019, Sunbelt Canada acquired the entire share capital of Rental Experts, Inc. and the business and assets of River City Aerial Lifts, Inc. (together 'Rental Experts/River City'). Rental Experts/River City is a general equipment business in Manitoba.

x) On 2 October 2019, Sunbelt US acquired the business and assets of Allwest Underground, Inc. ('Allwest'). Allwest is a trench shoring business in Washington and Oregon.

xi) On 15 October 2019, Sunbelt US acquired the business and assets of Beavercreek Rentals, Inc. ('Beavercreek'). Beavercreek is a general equipment business in Ohio.

xii) On 14 November 2019, Sunbelt US acquired the business and assets of the New Braunfels Texas branch of Harris County Rentals, LLC, trading as Texas State Rentals ('HCR'). HCR is a general equipment business in Texas.

xiii) On 26 November 2019, Sunbelt US acquired the business and assets of Kitsap Rentals, Inc. ('Advanced Rentals'). Advanced Rentals is a general equipment business in Washington.

xiv) On 2 December 2019, Sunbelt Canada acquired the entire share capital of William F. White International, Inc. ('WFW') for a cash consideration of £136m (C$234m) with contingent consideration of up to £8m (C$14m), payable over the next year, depending on EBITDA meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £151m (C$260m). WFW is a film and television equipment rental business operating across Canada.

xv) On 11 December 2019, Sunbelt US acquired the business and assets of S&S Diversified Inc. ('Midwest Sweepers & Scrubbers'). Midwest Sweepers & Scrubbers is a flooring solutions business in Missouri.

xvi) On 21 January 2020, Sunbelt US acquired the business and assets of Associated Power, Inc. ('Associated Power'). Associated Power is a temporary power rental business in Southern California.

xvii) On 29 January 2020, Sunbelt US acquired the business and assets of Gaston Rentals, Inc. and McArver Enterprises, Ltd (together, 'Gaston'). Gaston is a general equipment business in North Carolina.

xviii) On 9 March 2020, Sunbelt US acquired the business and assets of BJ's Rentals, Inc. ('BJ's'). BJ's is a general equipment business in California.

26 ACQUISITIONS (CONTINUED)

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

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

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

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

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

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

27 CONTINGENT LIABILITIES

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

The Company

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

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

The Company has provided a guarantee to the Ashtead Group plc Retirement Benefits Plan ('the plan') that ensures the plan is at least 105% funded as calculated in accordance with Section 179 of the Pensions Act 2004. Based on the last actuarial valuation at 30 April 2019, this guarantee was the equivalent of £20m.

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

28 CAPITAL COMMITMENTS

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

29 RELATED PARTY TRANSACTIONS

The Group's key management comprises the Company's executive and non-executive directors. Details of their remuneration are given in Note 4 and details of their share interests and share awards are given in the Remuneration report. In relation to the Group's defined benefit pension plan, details are included in Note 23.

30 EMPLOYEES

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

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

31 PARENT COMPANY INFORMATION

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

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

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

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

BRENDAN HORGAN
Chief executive

MICHAEL PRATT
Finance director

31 PARENT COMPANY INFORMATION (CONTINUED)

b. Statement of changes in equity of the Company

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Retained reserves £m	Total £m
At 1 May 2018	49.9	3.6	6.3	(161.0)	(20.0)	851.7	730.5
Profit for the year	–	–	–	–	–	529.5	529.5
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	529.5	529.5
Dividends paid	–	–	–	–	–	(164.2)	(164.2)
Own shares purchased by the ESOT	–	–	–	–	(14.2)	–	(14.2)
Own shares purchased by the Company	–	–	–	(461.6)	–	–	(461.6)
Share-based payments	–	–	–	–	9.6	(2.0)	7.6
Tax on share-based payments	–	–	–	–	–	0.5	0.5
At 30 April 2019	49.9	3.6	6.3	(622.6)	(24.6)	1,215.5	628.1
Effect of adoption of IFRS 16	–	–	–	–	–	1.0	1.0
At 1 May 2019 (restated)	49.9	3.6	6.3	(622.6)	(24.6)	1,216.5	629.1
Profit for the year	–	–	–	–	–	349.7	349.7
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	349.7	349.7
Dividends paid	–	–	–	–	–	(186.7)	(186.7)
Own shares purchased by the ESOT	–	–	–	–	(17.6)	–	(17.6)
Own shares purchased by the Company	–	–	–	(444.6)	–	–	(444.6)
Share-based payments	–	–	–	–	14.5	(6.1)	8.4
Tax on share-based payments	–	–	–	–	–	0.4	0.4
Cancellation of shares	(4.5)	–	4.5	951.3	–	(951.3)	–
At 30 April 2020	**45.4**	**3.6**	**10.8**	**(115.9)**	**(27.7)**	**422.5**	**338.7**

c. Cash flow statement of the Company

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

d. Accounting policies

The Company financial statements have been prepared on the basis of the accounting policies set out in Note 2 above, supplemented by the policy on investments set out below.

Investments in subsidiary undertakings are stated at cost less any necessary provision for impairment in the parent company balance sheet. Where an investment in a subsidiary is transferred to another subsidiary, any uplift in the value at which it is transferred over its carrying value is treated as a revaluation of the investment prior to the transfer and is credited to the revaluation reserve.

e. Income statement

Ashtead Group plc has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet. There were no other amounts of comprehensive income in the financial year.

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

	2020 Number	2019 Number
Employees	**16**	15

Their aggregate remuneration comprised:

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

f. Amounts due from subsidiary undertakings

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

g. Right-of-use asset

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

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

h. Investments

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

31 PARENT COMPANY INFORMATION (CONTINUED)

h. Investments (continued)

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

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

1 On 3 June 2020 Ashtead Plant Hire Company Limited changed its name to Sunbelt Rentals Limited while Sunbelt Rentals Limited changed its name to Ashtead Plant Hire Company Limited.
2 Companies amalgamated into William F. White International Inc. on 1 May 2020.

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

i. Amounts due to subsidiary undertakings

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

j. Lease liabilities

(i) Amounts recognised in the balance sheet

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

(ii) Amounts recognised in the income statement

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

(iii) Amounts recognised in the cash flow statement

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

k. Financial instruments

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

l. Notes to the Company cash flow statement

Cash flow from operating activities

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

TEN-YEAR HISTORY

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

\+ Before exceptional items, amortisation and fair value remeasurements.

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

GLOSSARY OF TERMS

The glossary of terms below sets out definitions of terms used throughout this Annual Report & Accounts. 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. Where relevant, the APMs exclude the impact of IFRS 16 to aid comparability with prior year metrics. 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.

Term	Closest equivalent statutory measure	Definition and purpose
Capital expenditure	None	Represents additions to rental equipment and other tangible assets (excluding assets acquired through a business combination).
Cash conversion ratio	None	Represents cash flow from operations before exceptional items and changes in rental equipment as a percentage of underlying EBITDA. This measure is utilised to show the proportion of EBITDA converted into cash flow from operations generated by the business before investment expenditures, interest, taxation and exceptional items.

		2020 £m	2019 £m
EBITDA before exceptionals	Note 25(a)	**2,376**	2,107
Cash inflow from operations before exceptionals and changes in rental equipment	Note 25(a)	**2,430**	2,043
Cash conversion ratio		**102%**	97%

Term	Closest equivalent statutory measure	Definition and purpose
Constant currency growth	None	Calculated by applying the current period exchange rate to the comparative period result. The relevant foreign currency exchange rates are provided within Note 2, Accounting policies, to the financial statements. This measure is used as a means of eliminating the effects of foreign exchange rate movements on the period-on-period changes in reported results.

	2020 £m	2019 £m	%
Rental revenue			
As reported	**4,606**	4,138	11%
Retranslation effect	**–**	110	
At constant currency	**4,606**	4,248	8%
Underlying profit before tax			
As reported	**1,061**	1,110	-4%
Impact of IFRS 16	**30**	–	
Retranslation effect	**–**	32	
At constant currency	**1,091**	1,142	-4%

Term	Closest equivalent statutory measure	Definition and purpose
Dollar utilisation	None	Dollar utilisation is trailing 12-month rental revenue divided by average fleet at original (or 'first') cost measured over a 12-month period. Dollar utilisation has been identified as one of the Group's key performance indicators. The components used to calculate this measure are shown within the 'Financial review'.
Drop-through	None	Calculated as the incremental rental revenue which converts into EBITDA (excluding gains from sale of new equipment, merchandise and consumables and from sale of used equipment). In the current year, the impact of IFRS 16 has been excluded so as not to distort this metric.

	2020	2019
Sunbelt US ($m)		
Rental revenue	**5,046**	4,637
EBITDA exc. gains	**2,505**	2,362
Drop through	**35%**	

This measure is utilised by the Group to demonstrate the incremental profitability generated by the Group as a result of growth in the year.

Term	Closest equivalent statutory measure	Definition and purpose
EBITDA	Profit before tax	EBITDA is not defined by IFRS but is a widely accepted profit measure being earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to profit before tax is shown on the income statement on page 114.
EBITDA margin	None	EBITDA margin is calculated as EBITDA before exceptional items divided by revenue. Progression in EBITDA margin is an important indicator of the Group's performance and this has been identified as one of the Group's key performance indicators.

Term	Closest equivalent statutory measure	Definition and purpose
Exceptional items	None	Exceptional items are those items that are material and non-recurring in nature that the Group believes should be disclosed separately to assist in the understanding of the financial performance of the Group. Excluding these items provides readers with helpful additional information on the performance of the business across periods and against peer companies. It is also consistent with how business performance is reported to the Board and the remuneration targets set by the Company. Details are provided in Note 5 of the financial statements.
Free cash flow	Net cash inflow from operating activities	Cash generated from operating activities less non-rental net property, plant and equipment expenditure. Non-rental net property, plant and equipment expenditure comprises payments for non-rental capital expenditure less disposal proceeds received in relation to non-rental asset disposals. This measure shows the cash retained by the Group prior to discretionary expenditure on acquisitions and returns to shareholders. A reconciliation of free cash flow is shown in the Strategic report on page 45.
Leverage	None	Leverage calculated at constant exchange rates uses the current period exchange rate and is determined as net debt divided by underlying EBITDA.

	2020 £m Inc. IFRS 16	2020 £m Exc. IFRS 16	2019 £m
Net debt (at constant currency)	**5,363**	**4,256**	3,850
EBITDA (at constant currency)	**2,380**	**2,280**	2,170
Leverage	**2.3**	**1.9**	1.8

This measure is used to provide an indication of the strength of the Group's balance sheet and is widely used by investors and credit rating agencies. It also forms part of the remuneration targets of the Group and has been identified as one of the Group's key performance indicators.

Term	Closest equivalent statutory measure	Definition and purpose
Net debt	None	Net debt is total borrowings (bank, bonds and lease liabilities) less cash balances, as reported. This measure is used to provide an indication of the Group's overall level of indebtedness and is widely used by investors and credit rating agencies. It has been identified as one of the Group's key performance indicators. An analysis of net debt is provided in Note 25(c) of the financial statements.
Operating profit	Profit before tax	Operating profit is earnings before interest and tax. A reconciliation of operating profit to profit before tax is shown on the income statement on page 114.
Operating profit margin	None	Operating profit margin is calculated as operating profit before exceptional items and the amortisation of intangibles divided by revenue. Progression in operating profit margin is an important indicator of the Group's performance.
Organic measures	See definition	Organic measures are used to explain the financial and operational performance of Sunbelt US and comprise all locations, excluding locations arising from a bolt-on acquisition completed after the start of the comparative financial period.
Return on Investment ('RoI')	None	Last 12-month 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. In the current year, the impact of IFRS 16 has been excluded so as not to distort this metric. RoI is used by management to help inform capital allocation decisions within the business and has been identified as one of the Group's key performance indicators. It also forms part of the remuneration targets of the Group. A reconciliation of Group RoI is provided below:

	2020	2019
Underlying operating profit (£m)	**1,270**	1,264
Average net assets (£m)	**8,347**	7,117
Return on investment (%)	**15%**	18%

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

	US $m	Canada C$m	UK £m
Underlying operating profit	1,544	53	36
Average net assets, excluding goodwill and intangibles	7,406	583	649
Return on investment	21%	9%	5%

Term	Closest equivalent statutory measure	Definition and purpose
Underlying results	See definition	Underlying results are the results stated before exceptional items and the amortisation of acquired intangibles. Underlying results are utilised by the Group in its remuneration targets. A reconciliation is shown on the income statement on page 114.

Other terms used within this Annual Report & Accounts include:

- **Availability:** represents the headroom on a given date under the terms of our $4.6bn asset-backed senior bank facility, taking account of current borrowings.
- **Fleet age:** net book value weighted age of serialised rental assets. Serialised rental assets constitute the substantial majority of our fleet.
- **Fleet on rent:** quantity measured at original cost of our rental fleet on rent. Fleet on rent has been identified as one of the Group's key performance indicators.
- **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 97% of its fleet at 30 April 2020. Physical utilisation has been identified as one of the Group's key performance indicators.
- **RIDDOR rate:** the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable rate is the number of major injuries or over seven-day injuries per 100,000 hours worked.
- **Same store:** same-stores are those locations which were open at the start of the comparative financial period.
- **Staff turnover:** staff turnover is calculated as the number of leavers in a year (excluding redundancies) divided by the average headcount during the year.
- **Suppressed availability:** represents the amount on a given date that the asset base exceeds the facility size under the terms of our $4.6bn asset-backed senior bank facility.
- **Yield:** is the return we generate from our equipment. The change in yield is a combination of the rental rate charged, rental period and product and customer mix.

FINANCIAL CALENDAR AND ADVISERS

FUTURE DATES

Quarter 1 results	8 September 2020
2020 Annual General Meeting	8 September 2020
Quarter 2 results	8 December 2020
Quarter 3 results	2 March 2021
Quarter 4 and year end results	15 June 2021

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