



# MAKING IT HAPPEN

Annual Report & Accounts 2017

Ashtead  
group

At Ashtead we provide our customers with more than just equipment rental. **We provide solutions.** From multinational businesses to individual do-it-yourselfers – our experts are dedicated to delivering the best service. From everyday things that matter, to mission-critical events where experience counts – we are there to supply what is needed.

**Our people are there to make it happen.**

**DISCOVER HOW  
WE'VE RISEN TO  
OUR CUSTOMERS'  
CHALLENGES IN  
THE PAST YEAR**

Walter Dunston and the team at Sunbelt kept the capital moving for the inauguration of the 45th president **PAGE 90**



# OUR FINANCIAL HIGHLIGHTS

## REVENUE (£m)

2017	3,187
2016	2,546
2015	2,039
2014	1,635
2013	1,362

## UNDERLYING OPERATING PROFIT (£m)

2017	898
2016	728
2015	557
2014	409
2013	290

## UNDERLYING PROFIT BEFORE TAXATION (£m)

2017	793
2016	645
2015	490
2014	362
2013	245

## PROFIT BEFORE TAXATION (£m)

2017	765
2016	617
2015	474
2014	357
2013	214

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**Our objective** is to deliver sustainable value and above-average performance across the economic cycle – extending our industry-leading position and delivering superior total returns for shareholders. Deliver the very best levels of customer service throughout our networks to enable that growth every day.

Read more in our strategic review on [page 10](#).

Throughout the Annual Report we refer to a number of alternative performance measures. These are defined in the Glossary on [page 131](#).

#### 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.

# OUR GROUP AT A GLANCE

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

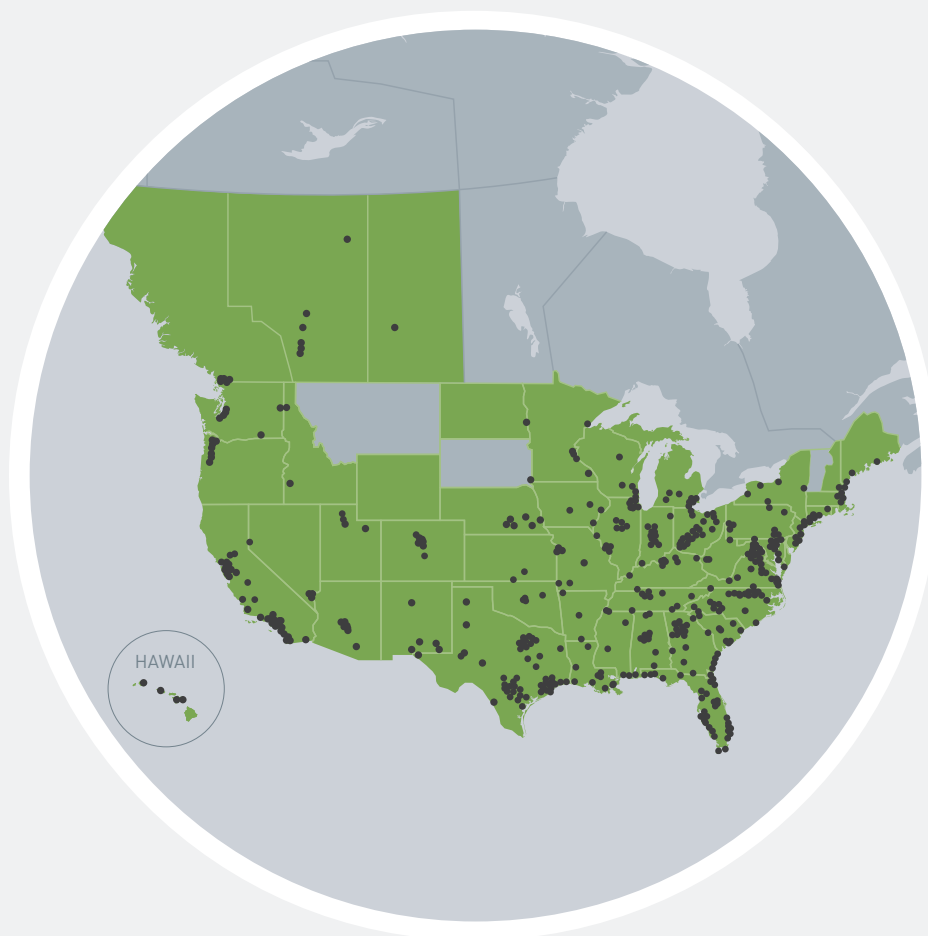
## SUNBELT

The second largest equipment rental company in North America with 612 stores in 47 states in the US and 17 stores in Canada.

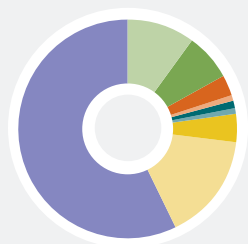


# 87%

Sunbelt represents 87% of Group revenue

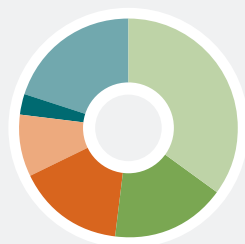


### US MARKET SHARE



United Rentals	10%
Sunbelt	7%
Herc Rentals	3%
Home Depot	1%
BlueLine Rentals	1%
Sunstate	1%
Top 7-10	4%
Top 11-100	c.16%
Others	c.57%

### US FLEET COMPOSITION



Aerial work platforms	35%
Forklifts	17%
Earth moving	16%
Pump and power	9%
Scaffold	3%
Other	20%

Source: Management estimate based on IHS Markit market estimates.

Source: Management information.

## 606\*

Full service stores

## \$3,584m

Revenue

## 23

Sunbelt at Lowes stores

## \$1,088m

Profits

## 10,734

Employees

## 22%

Return on investment\*\*

\* Includes 17 stores in Canada.

\*\* Excluding goodwill and intangible assets.

## A-PLANT

The largest equipment rental company in the UK with 179 stores.

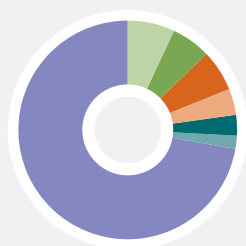


# 13%

A-Plant represents 13% of Group revenue

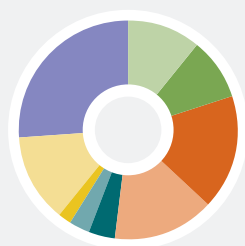


### UK MARKET SHARE



<span style="color: #90EE90;">■</span> A-Plant	7%
<span style="color: #3CB371;">■</span> HSS	6%
<span style="color: #FF8C00;">■</span> Speedy	6%
<span style="color: #FFA07A;">■</span> VP	4%
<span style="color: #008080;">■</span> GAP	3%
<span style="color: #66CDAA;">■</span> Lavendon	2%
<span style="color: #4169E1;">■</span> Others	72%

### UK FLEET COMPOSITION



<span style="color: #90EE90;">■</span> Aerial work platforms	11%
<span style="color: #3CB371;">■</span> Forklifts	9%
<span style="color: #FF8C00;">■</span> Earth moving	17%
<span style="color: #FFA07A;">■</span> Accommodation	15%
<span style="color: #008080;">■</span> Pump and power	4%
<span style="color: #66CDAA;">■</span> Acrow	3%
<span style="color: #FFD700;">■</span> Traffic	2%
<span style="color: #FFD700;">■</span> Panels, fencing and barriers	13%
<span style="color: #4169E1;">■</span> Others	26%

Source: Management estimate based on IHS Markit market estimates.

Source: Management information.

**179**

Stores

**£72m**

Profits

**3,473**

Employees

**13%**

Return on investment\*

**£418m**

Revenue

\* Excluding goodwill and intangible assets.



# CHAIRMAN'S STATEMENT

## STRONG RESPONSIBLE GROWTH

**CHRIS COLE**  
CHAIRMAN



### Ashtead had another outstanding year with good growth again delivered in North America and the UK.

I am delighted to report that both Sunbelt and A-Plant achieved excellent results in terms of revenue, margins and profit. Our markets remain strong and we are constantly developing new ways to serve our customers through expansion of our locations, increased specialty businesses and an ever increasing range of equipment available to rent. We launched our new five-year plan, Project 2021, to optimise our growth strategy in the medium term and you can read about this on page 24.

Full-year revenue was £3,187m compared to £2,546m the previous year. Underlying pre-tax profit rose 7% year-on-year at constant exchange rates to £793m and our EBITDA margin rose to 47% (2016: 46%). Top-line growth continues to be the main driver of our profitability and total rental revenue increased by 13% at constant exchange rates. Total rental revenue at Sunbelt grew 12% and 16% at A-Plant.

We continue to invest responsibly in our fleet, new greenfield sites and bolt-on acquisitions. We made 15 acquisitions last year, the largest and most recent being Pride in New York which significantly increased our presence in that important market. Group RoI for the year was 17% and despite continued significant investment in the fleet and acquisitions, our leverage at 1.7 times EBITDA was well within our 1.5 to 2 times target leverage range.

We took advantage of favourable financial market conditions in the third quarter to increase the size of our senior debt facility from \$2.6bn to \$3.1bn. This means we now have access to additional low cost capital to invest in growing the business while maintaining leverage within our target range.

As we said in last year's report, we began a process of share buybacks this year as part of our declared capital allocation programme. We spent almost £50m on share buybacks as part of our commitment to enhance shareholder value. We will continue to review our best options and the interests of our shareholders in this regard on a regular basis.

We prioritise the maintaining of a balanced and diverse Board that reflects and supports the breadth of our business and provides strong governance. In July we welcomed Tanya Fratto to the Board as a non-executive director and I look forward to her contribution to the Group's continued growth and development. We conducted an external evaluation review of Board performance and processes last year and I am pleased to report that the results of that were good.

Our employees are very much the engine behind our success and the Board is enormously grateful for their efforts. Our reputation for customer service is such that new greenfield stores quickly become profitable and our employees strive daily to make the customer's rental experience an exceptional one. Their enthusiasm and dedication to 'making it happen' (the theme of this year's report) continue to underpin our excellent growth.

Our progressive dividend policy aims to always make dividends sustainable whatever stage we are at in our business cycle. In line with that objective and our excellent performance, the Board is recommending a final dividend of 22.75p per share making 27.5p for the year compared to 22.5p in 2016, an increase of 22%. Assuming the final dividend is approved at the Annual General Meeting, it will be paid on 15 September 2017 to shareholders on the register on 18 August 2017.

We work hard to ensure our growth is sustainable. Our capital allocation priorities remain unchanged and we will continue to grow responsibly. The past five years have seen 23% compound annual revenue growth and we expect continued strong growth. Therefore, the Board looks forward to the medium term with confidence.

A handwritten signature in black ink, appearing to read 'Chris Cole'.

**CHRIS COLE**  
Chairman  
12 June 2017

# HIGHLIGHTS OF THE YEAR

**£3,187m**

Revenue

**£898m**

Underlying operating profit

**£793m**

Underlying profit before taxation

**£765m**

Profit before taxation



**+13%** Group rental revenue up 13%<sup>1</sup>

**47%** Group EBITDA margins up to 47% (2016: 46%)

**£793m** Group underlying pre-tax profit of £793m, up 7%<sup>1</sup>



**£1.1bn** invested in the business (2016: £1.2bn)

**£319m** free cash flow generation (2016: £68m outflow)

**1.7x** net debt to EBITDA leverage<sup>1</sup> of 1.7 times (2016: 1.7 times)



**£437m** spent on bolt-on acquisitions and 61 greenfield locations opened



**22.75p** proposed final dividend of 22.75p, making 27.5p for the full year, up 22% (2016: 22.5p)

<sup>1</sup> At constant exchange rates.

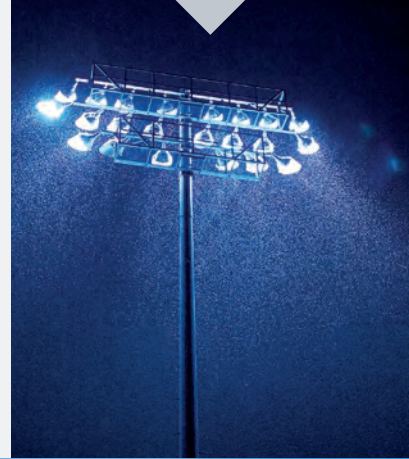
Underlying profit and earnings per share are stated before exceptional items and amortisation of intangibles. The definition of exceptional items is set out in Note 2 to the financial statements.

➔ **READ MORE ABOUT HOW WE PERFORMED IN OUR FINANCIAL REVIEW**  
PAGE 38

# MAKING IT HAPPEN IN 2016/17

Our equipment can be used to lift, power, generate, light, move, dig, compact, drill, support, access, scrub, pump, direct, heat and ventilate – whatever is required.

7,000,000+  
kW OF POWER



600,000+  
RENTAL ASSETS

600,000  
CUSTOMERS



2,000+  
EVENTS SUPPORTED





**950,000**  
SMALL TOOLS  
RENTED

**136  
MILLION+**  
MILES TRAVELLED FOR  
DELIVERY AND SERVICE



**1,000,000+**  
METRES OF BARRIERS ASSEMBLED

**2,600,000**  
RENTAL CONTRACTS WRITTEN



**1,000+**  
APPLICATIONS FOR  
APPRENTICESHIPS



**17  
BILLION+**  
BTU/hr IN THE  
HEATING FLEET





## THE CHALLENGE

# Preparing Chicago for a possible Cubs win celebration – with less than 12 hours' notice

2 November 2016 marked Game 7 of the World Series between the Chicago Cubs and the Cleveland Indians. This game was viewed by over 40m people, making it the most watched baseball game in 25 years. At 7pm, we received a call asking us to prepare 50 pieces of equipment, for delivery to Grant Park (possibly) by 7am the following morning!







This event took  
being prepared to  
a whole new level!  
Luckily we had the  
team, resources and  
commitment ready,  
so when it came  
to organising this  
fantastic celebration,  
we knocked it out of  
the park!”

Marissa Lotito  
Chicago District Manager

## OUR SOLUTION

### Able to deliver massive celebration solutions at the drop of a hat!

With no certainty of who would win, it wasn't until 12:05am we knew we needed to mobilise! We had to organise, load and deliver equipment by the 7am deadline and we began sourcing equipment from various specialty locations. A team effort across the entire district was needed. Around two million people (two-thirds of Chicago's residents) attended the event at Grant Park to celebrate the 2016 World Series Champions.

## Strategic review

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# STRATEGIC REVIEW

## MAKING IT HAPPEN – CONSISTENTLY AND OVER THE LONG TERM

We are delighted to report that this financial year was another record-breaking one for Ashtead. The combination of our strategy and strong end markets means we continue to grow our business and our profitability.



**GEOFF DRABBLE**  
CHIEF EXECUTIVE

The economic environment continues to help us but the underlying strength of our business makes that an added bonus rather than something we depend on to grow. As such, our strategy remains predominantly the same, with some enhancements to enable us to capitalise further on our markets' increasing level of comfort with renting rather than owning equipment.

That strategy is focused on same-store growth, supplemented by greenfield openings and bolt-on acquisitions, whilst delivering the highest levels of customer service. This year we developed and rolled out in the US, our next five-year plan, Project 2021. This plan develops our existing growth strategy and you can read more about it in our section on strategy on page 24.

The majority of our growth still comes from the US and two-thirds of that continues to come from what we call structural growth. Our customers increasingly rely on the flexibility of rental and are more open to renting new types of equipment for different applications. We are also seeing the impact of cyclical improvement but it is the structural part of the equation that is most exciting and which will drive our long-term growth.

Our Group rental revenue was up 13% (on a constant currency basis). Because so much of our revenue is denominated in US dollars, we have benefitted from weaker sterling giving reported rental revenue growth of 28%. Sunbelt's rental revenue growth was 12% compared to 18% the previous year. This compares to overall US rental market growth of 4%. Our same-store growth was 7% showing that we continue to outperform the market due to our strategy and the continuing structural change, with the balance coming from bolt-ons and greenfields.



**SUZANNE WOOD**  
FINANCE DIRECTOR



Our healthy margins, strong balance sheet and future plans allow us to continue to invest in the business for the long term. In the US, we invested \$1,041m in the rental fleet, 80% of which was in same-store growth, which is the most profitable. We spent an additional \$476m on bolt-ons and, with greenfields, added a total of 73 new locations, 69 in the US and 4 in Canada. Canada remains a small market for us but one which we expect to generate strong growth in the long term.

A-Plant also had a good year generating rental revenue growth of 16%. We spent £46m on four specialty bolt-on acquisitions. A number of these investments were made in the seasonally quieter second half of the year and we incurred one-off costs associated with their acquisition and integration. As a result, margins remained broadly flat over the year. A-Plant, like Sunbelt, continues to gain market share and we are confident margins will improve and set new highs once integration of newly acquired assets is complete. The strength of our underlying cash flow means that, after acquisition expenditure of £437m in both the US and UK, as well as increasing our dividend and repurchasing shares, we were still able to maintain our leverage within our target range.

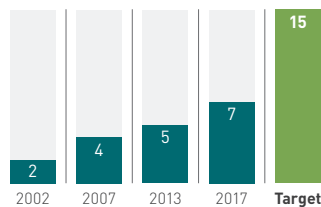
We remain confident of continuing future growth in both the US and UK. The US market, in particular, is evolving such that we are creating new types of rental products that simply didn't exist before. For example, our flooring business which began in 2015. Until we began renting flooring equipment, there was no such market in the US. We are always on the lookout for new products we can rent. Our attitude is to 'just say yes' and we delight in solving customers' problems and making things easy for them.

In addition, we are focused increasingly on expanding rental at the smaller end of our fleet, equipment that still represents a significant cost when owned, but which has not traditionally been part of the rental mix. For example, we launched a new programme called ToolFlex™ (read more on page 27) to make renting smaller equipment as cost effective and easy as renting our larger fleet.

In line with Project 2021 (see page 24), we anticipate this year to be the first of five years of double-digit compound growth and strong cash generation. We believe that current policy proposals in the US from the new administration will likely lengthen the current economic cycle and there is potential for further investment in line with our capital allocation priorities to enhance shareholder value. We will open c.60 new locations by way of greenfields and bolt-ons next year and continue to be very positive about the future direction of the Group.

## CREATING A WELL-BALANCED BUSINESS

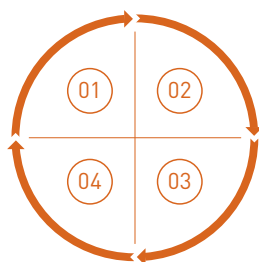
### US MARKET SHARE DEVELOPMENT (%)



### SEE HOW WE CAPITALISE ON THE MARKET OPPORTUNITY

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

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### DISCOVER MORE ABOUT HOW WE CREATE SUSTAINABLE VALUE

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

➔ PAGE 18



### BUILD A BROAD PLATFORM FOR GROWTH



### OPERATIONAL EXCELLENCE



### MAINTAIN FINANCIAL AND OPERATIONAL FLEXIBILITY

### LEARN ABOUT OUR STRATEGY FOR GROWTH

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

➔ PAGE 24



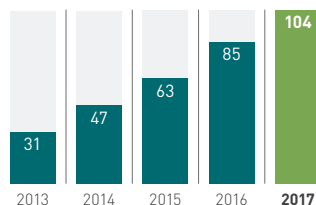
### OUR PRINCIPAL RISKS AND UNCERTAINTIES

### FIND OUT ABOUT OUR RISKS

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

➔ PAGE 34

### UNDERLYING EPS (p)



### SEE HOW WE PERFORMED IN 2017

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

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### LEARN ABOUT HOW WE ENSURE WE ARE 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 46

# OUR MARKETS CAPITALISING ON MARKET OPPORTUNITY

The US continues to be our biggest and fastest growing market although we are seeing strong growth in the UK as well.

The US rental market is potentially five times bigger than the UK and we continue to capitalise on the structural changes in that market, as customers adapt to renting equipment rather than owning it. We also have a small presence in Canada which we will seek to develop over time, as and when the opportunities for growth present themselves. The US market is very strong, the UK market is also performing well and we continue to increase our share in both markets. Our aim is to continue to grow the business wherever we are in the economic cycle. A strong market in the US and a good one in the UK mean we are performing particularly well at the moment.

## 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. Some of the very many different individual markets that use our equipment more and more are shown opposite. For any one of these applications, there is also a very wide range of equipment used. For example, on one big festival site such as Lollapalooza in Chicago or Glastonbury in the UK, we may have 400-500 pieces of equipment of all different types and sizes. 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.

## MARKETS WE SERVE:



### CONSTRUCTION

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



### ENTERTAINMENT

- ▶ National events
- ▶ Concerts
- ▶ Sporting events
- ▶ Movies/TV production
- ▶ Theme parks
- ▶ Festivals
- ▶ Farmers' markets
- ▶ Local 5K runs



### FACILITIES AND MUNICIPALITIES

- ▶ Office complexes
- ▶ Parks and recreation departments
- ▶ Schools and universities
- ▶ Shopping centres
- ▶ Apartment blocks
- ▶ Pavement/kerb repairs
- ▶ Golf Course maintenance
- ▶ Government



### EMERGENCY RESPONSE

- ▶ Fire
- ▶ Hurricanes
- ▶ Flooding
- ▶ Tornadoes
- ▶ Winter storms
- ▶ Residential emergencies



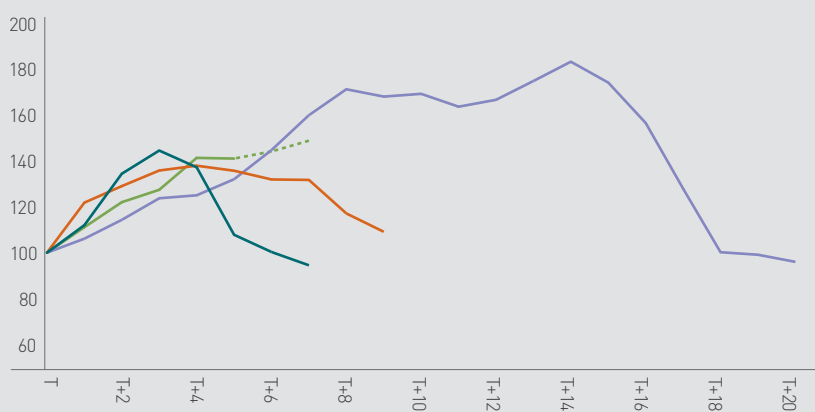
## US MARKET OUTLOOK

### 01 US MARKET OUTLOOK

Rental revenue forecasts	2017	2018	2019
Industry rental revenue	+5%	+5%	+5%

Source: IHS Markit (April 2017).

### 02 CONSTRUCTION ACTIVITY BY CYCLE



■ 1975-1982 ■ 1982-1991 ■ 1991-2011  
 ■ Current cycle ■ Forecast  
 (T=100 based on constant dollars)

Source: Dodge Data & Analytics (April 2017).

### THE US

#### Economic strength

Our core US markets remain very good. Even oil and gas, which is only a very small part of our business, but which has struggled in the recent past, has returned to growth, with revenue in the final quarter up to 43% over the prior year, albeit on very small numbers. Construction markets remain strong, with growing employment, the benefits of lower energy prices and increased disposable income, which is positive for our broader markets like event work and residential remodelling. In the US in particular, people are generally spending more money which has a knock-on effect in our non-construction markets. We see encouraging short-term trends and the consensus is that the market will experience steady longer-term growth. Commercial and industrial starts continue to increase and we expect this to continue, at least until 2018.

With the exception of oil and gas, which is showing early signs of recovery, the markets we serve are strong, as both structural and cyclical trends remain 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. We believe we remain mid-cycle and whilst the pace of growth may moderate, we should have multiple years of structural and cyclical opportunity ahead.

#### 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 10% and 3% respectively. Home Depot, BlueLine and Sunstate 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 gains come 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 industry has evolved over the last five years such that the proportion of the market enjoyed by the larger players has increased by 25%. We have clearly been a major beneficiary of this trend. Whilst there will always be a place for strong local players, the market enjoyed by the larger players is likely to grow by a further 30 to 40% in the medium term.

## OUR MARKETS CONTINUED

# 15%

TARGET MARKET SHARE

We are confident that as the market grows, our share will also increase. We have a good track record of success, having almost doubled our market share since 2010. We continue to set ambitious targets for continuing to double our market share and market demand allows for this. The speed with which we increase our market share is a function of how quickly we can get new locations up and running and generating profit. As noted above, our market share growth also comes from continuing to broaden the range of equipment we have available to rent in each location (more on this in our strategy section on page 24).

The combination of our business model, which you can read more about on page 18, the strong economy 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 a reasonable goal.

As we increase our market share and grow our specialty businesses, they become a greater proportion of the 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 trend to rental

Rental penetration continues to be a positive trend for the industry in the US as our customers have become accustomed to the flexibility of an outsourced model. Between 2010 and 2017, increased rental penetration effectively grew our end market by 20 to 25%. We see this trend continuing which will provide similar levels of market growth over the coming years. Rental still only makes up around 50% of the US market compared to 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 short-term drivers of this evolution are the significant cost inflation in recent years associated with the replacement of equipment, technical changes to equipment requirements that make rental more attractive, and health, safety and environmental issues which make rental more economical and just easier. In addition, our customers are ever more used to renting equipment rather than owning it themselves.

### THE CHALLENGE

## Denver's light rail engineers need to cure five concrete bridge structures 53 feet in the air

### OUR SOLUTION

Our climate control equipment kept the concrete at optimal temperature even at height

Each bridge structure to be cured was more than 50 feet in the air and our chillers needed to be tied in to their structures to maintain constant temperatures. At no time could the six internal heat sensors read a temperature above 160°F during the curing process. Glycol was needed to keep our system from freezing in winter. We set our chillers at five different locations to facilitate concrete pours each between 350 and 500 yards.

**"Getting the temperature just right, during the winter, for a project of this scale was a massive achievement for our team."**

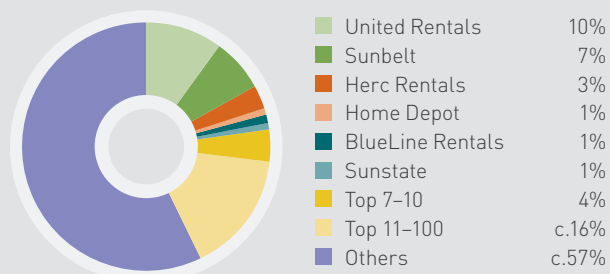
Tom Smith  
Strategic Account  
Manager, Industrial  
Climate Control





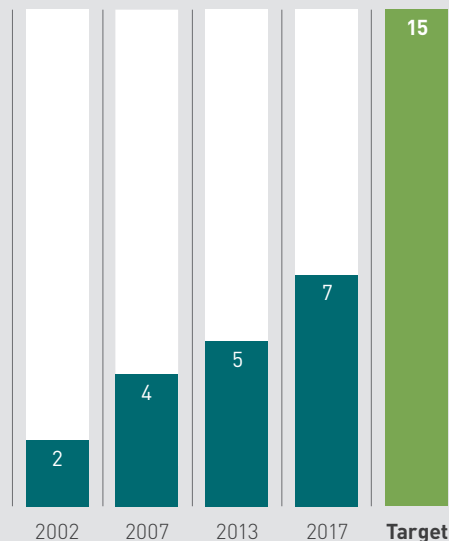
# INCREASING OUR SHARE IN THE US MARKET

## 03 US MARKET SHARE



Source: Management estimate based on IHS Markit market estimates.

## 04 US MARKET SHARE DEVELOPMENT (%)



Source: Management estimates.

The diversity of our fleet helps us take advantage of the increasing trend to rental and we continue to expand the range of products we rent. If your fleet consists of equipment which is predominantly rented, 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. If however you have a broader mix of fleet, then there is significant further upside to come from rental penetration.

The combination of increased environmental regulations leading to higher replacement costs, more stringent health and safety requirements, and technological advancements also make renting a more attractive proposition. 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. 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.

Our own 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 (what we refer to as 'ARE'). 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 24.

### CANADA

Canada continues to be a long-term growth opportunity for us. There is plenty of scope to develop market share in Canada in the same way as in the US. The business there is now two-thirds larger than the previous year but it is still very small. We are focusing first on the southwest corner of Canada where we have opened a series of greenfields and made a number of small bolt-on acquisitions to expand the business. In the long term, our goal is to achieve market share of 5% and for Canada to make up between 15-20% of the North American business.



**We are confident that as the market grows, our share will also increase.**

## OUR MARKETS CONTINUED

### THE UK

#### Economic resilience

The UK market is stronger than in recent years and we expect it to continue to grow, albeit more moderately, for the foreseeable future. Structural growth opportunities are more difficult to come by because of an already high level of rental penetration. Nonetheless, A-Plant continues to grow, making bolt-on acquisitions and also taking market share. Chart 05 shows the outlook for UK construction which shows continuing growth. Given the good overall construction market, with 40% still being public and infrastructure, even with residential performing well, we will continue to invest responsibly in the UK market.

#### 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 a 7% 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, good relative fleet age and strong balance sheet. We continue to broaden our customer base and have focused our investment on specialty sectors within the market. This has proven very successful in growing both our market share and returns.



A-Plant continues to grow, making bolt-on acquisitions and also taking market share.”

### THE CHALLENGE

Distribution facilities need to be rid of snow melt brought in by trucks

### OUR SOLUTION

We provided floor scrubbers, tanks and pumps to get rid of the mess and waste water

We provided 12 ride-on floor scrubbers to extract the accumulated snow melt. Since the distribution facilities were not equipped with appropriate waste water dumping systems, we also supplied 15 330-gallon storage tanks for the waste water and 12 small pumps to get the waste water from the scrubbers to the tanks. Our customer was delighted with their new clean, dry distribution environment.

“Our different divisions worked together to provide a solution. Scrubbers came from Flooring Solutions and the small pumps and hoses were sourced from Pump and Power and General Tool.”

Adam Camhi  
Regional Sales Manager,  
Flooring Solutions

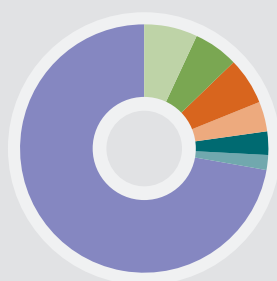
## GROWING OUR SHARE OF THE UK MARKET

### 05 UK CONSTRUCTION INDUSTRY FORECASTS

£m constant 2013 prices	2015 actual	2016 actual	2017 forecast	2018 forecast	2019 projection	% of total
Residential	41,118	45,190 +9.9%	46,093 +2.0%	46,649 +1.2%	46,849 +0.4%	<b>32%</b>
Private commercial	39,246	41,356 +5.4%	41,229 -0.3%	40,346 -2.1%	40,412 +0.2%	<b>28%</b>
Public and infrastructure	54,022	51,037 -5.5%	51,994 +1.9%	54,018 +3.9%	57,052 +5.6%	<b>40%</b>
Total	134,386	137,583 +2.4%	139,316 +1.3%	141,013 +1.2%	144,313 +2.3%	<b>100%</b>

Source: Construction Products Association (Spring 2017).

### 06 UK MARKET SHARE



A-Plant	7%
HSS	6%
Speedy	6%
VP	4%
GAP	3%
Lavendon	2%
Others	72%

Source: Management estimates based on IHS Markit market estimates.



THE CHALLENGE

**Massive power plant shuts down for routine maintenance and needs the right tools for the job**

#### OUR SOLUTION

**We provided on-site, round-the-clock access to all equipment needed**

We provided a customised on-site Tool Trailer, delivered directly to the plant, complete with hand and power tools, consumables like safety glasses, hard hats and gloves, air tools, welding equipment, light towers, industrial fork lifts, aerial work platforms and generators. We also provided 24/7 access to the on-site tools and equipment, an on-site manager working to manage customer needs, real-time utilisation reporting and a dedicated mechanic.

**“Preparation for plant outages starts months in advance because plants are often situated in rural areas, miles away from equipment rental providers, and waiting for equipment is never an option. We provided everything needed ready for round-the-clock maintenance.”**

Melissa Navratil  
Key Account Representative,  
Industrial Services



# OUR BUSINESS MODEL CREATING SUSTAINABLE VALUE

We create value through the short-term rental of equipment that is used for a wide variety of applications to a diverse customer base. Our rental fleet ranges from small hand-held tools to the largest construction equipment and is available through a network of stores in North America and the UK.

## WHAT WE DO



### PURCHASE

We purchase equipment from leading manufacturers and maintain it through its useful life.



### RENT

We rent on a short-term basis, a full range of construction and industrial equipment to a diverse range of customers.



### SELL

We sell old equipment in the second-hand market and buy new.

## HOW WE DO IT



➔ [READ MORE](#)  
PAGE 20

➔ [DISCOVER HOW WE MANAGE THE CYCLE](#)  
PAGE 20



### 01 DIFFERENTIATING OUR FLEET AND SERVICE

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

➔ PAGE 21

### 02 ENSURING OPERATIONAL EXCELLENCE

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

➔ PAGE 21

### 03 INVESTING IN OUR PEOPLE

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

➔ PAGE 23

### 04 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 22

## VALUE CREATION



### RENTAL SOLUTIONS

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

➔ PAGE 21



### LONG-TERM RELATIONSHIPS

Developing long-term relationships with customers and suppliers.

➔ PAGE 22



### ENHANCING COMMUNITIES

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

➔ RESPONSIBLE BUSINESS REPORT PAGE 53



### SUSTAINABLE RETURNS

Generating sustainable returns for shareholders through the cycle.

➔ FINANCIAL REVIEW PAGE 38

## OUR BUSINESS MODEL CONTINUED

# 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 and generate a revenue stream each year we own it (on average, seven years). Then we sell it in the second-hand market and receive a proportion of the original purchase price in disposal proceeds.

Providing temporary climate control solutions for retail premises, office buildings and construction sites.



On-site hire depot and contractors' village for long-term maintenance and construction projects.

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 \$410 on an initial outlay of \$100 over an average seven-year useful life. We incur costs in providing this service, principally employee, property and transportation costs and fleet depreciation. However, this simple overview encompasses a significant number of moving parts and activities.

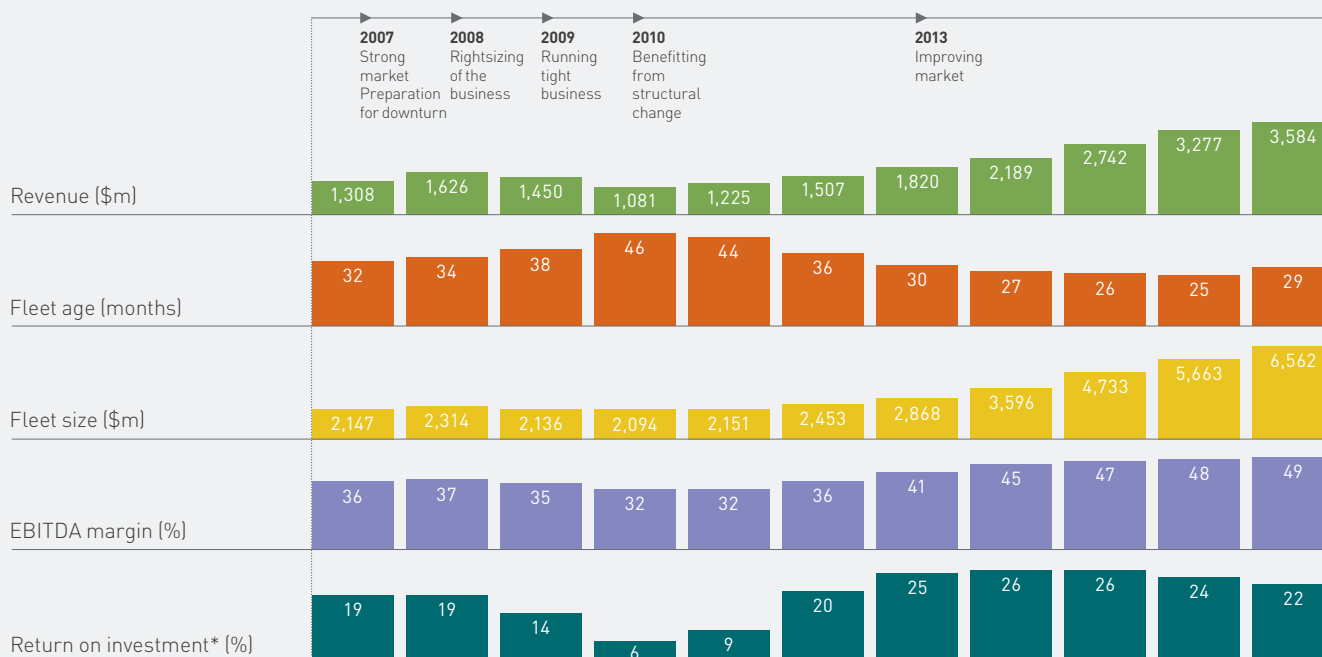
Our ability to excel in these areas enables us to generate strong margins and deliver long-term, sustainable shareholder value, whilst managing the risks inherent in our business (refer to pages 34 to 36).

### MANAGING THE CYCLE

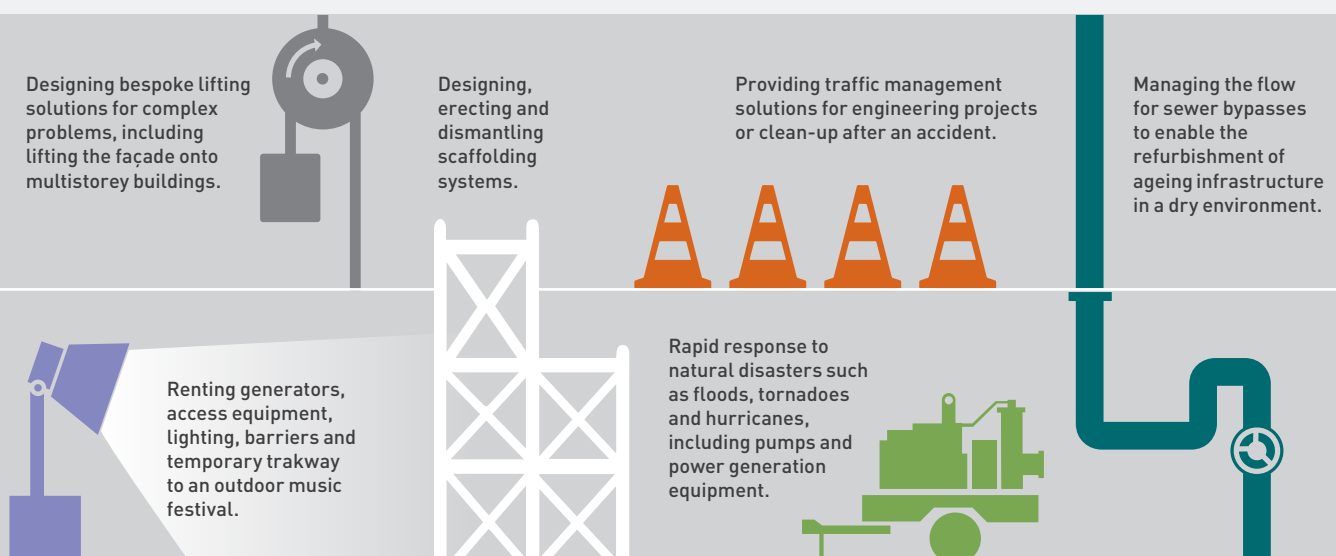
We describe ourselves as being a late cycle business in that our main end market, non-residential construction, is usually one of the last parts of the economy to be affected by a change in economic conditions. This means that we have a good degree of visibility on when

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. 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. See content on our strategy on page 24.

## 07 MANAGING THE CYCLE – SUNBELT



\* Excluding goodwill and intangible assets.



### 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 48% in North America as we have deliberately reduced our reliance on construction. We continue to develop our specialty areas such as Pump & Power, Climate Control, Scaffolding, Oil & Gas and Industrial Services which represented 21% of our business. Residential construction is a small proportion of our business (5%) as it is not a heavy user of equipment.

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, as well as government entities and specialist contractors. Our core market is the small to mid-sized local contractor. The nature of the business is such that it consists of a high number of low-value transactions. In the year to April 2017, Sunbelt dealt with over 570,000 customers, who generated average revenue of \$5,800.

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 specialist 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 on pages 27 and 28.
- In the UK, our strategy is focused on having sufficient stores to allow us to offer **a full range of equipment on a nationwide basis**. We have migrated our network towards fewer, larger locations which are able to address all the needs of our customers in their respective markets. This difference in approach from the US 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 through more focused and, therefore, reduced training requirements for our staff.

**Breadth and depth of our fleet provides differentiation."**

## OUR BUSINESS MODEL CONTINUED

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 leading levels of physical utilisation, one of our key performance indicators ('KPIs').

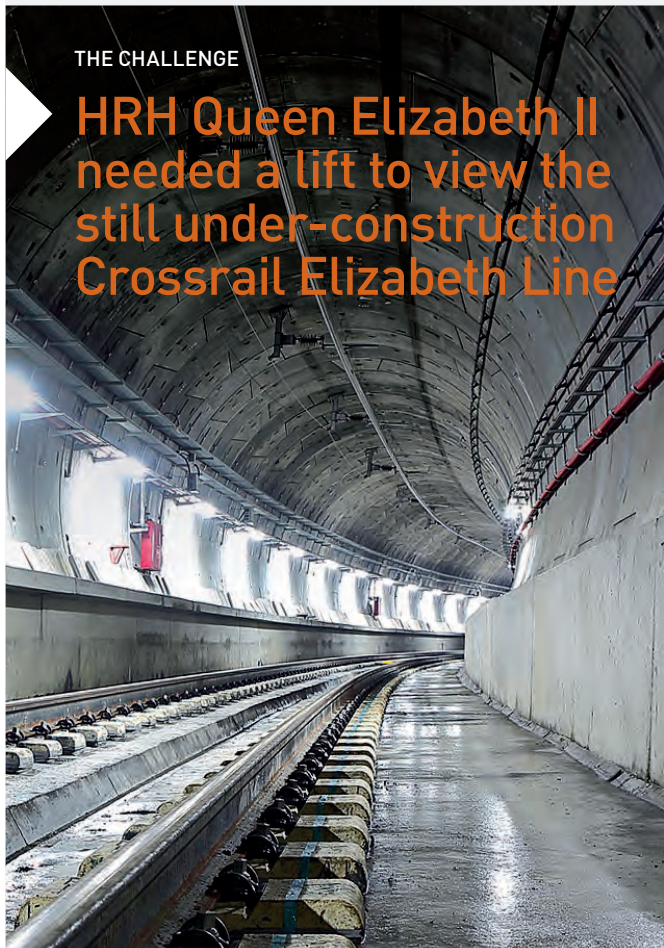
- We purchase equipment from well-known manufacturers with strong reputations for **product quality and reliability** and maintain close relationships with them to ensure certainty of supply and good after-purchase service and support. We work with vendors to provide early visibility of our equipment 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 and lifting services, which involve providing service expertise as well as equipment.
- 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 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 worked with a lot of our customers for many years. Our customer retention is high due to the scale and quality of our fleet, our speed of response and our customer service.

### THE CHALLENGE

**HRH Queen Elizabeth II needed a lift to view the still under-construction Crossrail Elizabeth Line**



### OUR SOLUTION

We provided the hoists to get Her Majesty down to the Underground

GB Access provided hoists used by Her Majesty during her visit to the still under-construction Crossrail Elizabeth Line station at Bond Street in London. The new Bond Street station site will see 24 trains per hour in each direction when the new railway opens in 2018. Crossrail will transform travel across the capital, boosting the economy and supporting thousands of new jobs and homes.

**“We were happy to oblige, Your Majesty!”**

Dave Patrick  
Maintenance Manager,  
GB Access





- 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.
- We invest heavily in our **computerised point of sale and service systems** as well as the software and online capabilities 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. 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.

#### 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 50 we discuss the importance of our staff and corporate culture in more detail. We aim to recruit good people and then invest in them throughout their careers.

# 70%

LEVEL OF ORDERS FOR DELIVERY WITHIN 24 HOURS

#### THE CHALLENGE

## Hurricane Matthew caused record flooding along the US coastline from Florida to Virginia



#### OUR SOLUTION

More than 400 truckloads of equipment and 17 disaster trailers mobilised to devastated areas

In preparation for the storm, our Emergency Response Team ('ERT') set up a Storm Centre at the Fort Mill Support Office. 15 team members provided sales and logistical support from there, while 25+ team members were deployed to stores to provide operational support. As the storm travelled up the coast, nearly 400 employees were assembled, preparing to offer their support. ERT members and local representatives deployed hundreds of assets including generators, pumps, lifts, light towers, and more.

**"We're used to responding quickly in an emergency. Hurricane Matthew caused massive destruction but we were there to provide emergency support for our customers when they needed it most."**

Walter Hoehn  
Operational & Sales Support,  
Pump & Power Services




# OUR STRATEGY PROJECT 2021


We remain a cyclical business but increasingly the level of structural change in our markets, particularly in the US, combined with our proven strategy, makes us better able to capitalise on a good economic environment and be more resilient to economic downturn.

From 2011 to 2016 we achieved 22% compound annual growth in the US, of which two-thirds was from structural changes. We have put in place a development of our existing strategy, Project 2021, which aims to continue our growth through same-store investment, greenfields and bolt-ons over the next five years. Our markets are full of potential at the moment and we do not see that changing in the short term. If the situation does change we will be well prepared. 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. Our focus remains on responsible growth.

Our goal in the medium to long term is to double our market share in the US and grow it by 50% in the UK. We 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. Our Project 2021 plan is to grow to 875 locations in the US and be a \$5bn+ revenue business by 2021. The risks that we face in implementing this strategy are discussed on pages 34 to 36.

## OUR STRATEGIC PRIORITIES

 Build a broad platform for growth			
STRATEGIC PRIORITIES	KEY INITIATIVES	UPDATE	RELEVANT KPIs & RISKS
<ul style="list-style-type: none"> <li>▶ Target 15% US market share</li> <li>▶ Take 5% Canadian market share</li> <li>▶ Increase UK market share by 50%</li> </ul>	<ul style="list-style-type: none"> <li>▶ Same-store fleet growth</li> <li>▶ Greenfield expansion</li> <li>▶ Bolt-on M&amp;A</li> <li>▶ Develop specialty products</li> <li>▶ Develop diversified clusters in key areas</li> <li>▶ Increased focus on renting out non-traditional rental equipment</li> </ul>	<ul style="list-style-type: none"> <li>▶ 7% US market share</li> <li>▶ 16% increase in North American rental fleet at cost</li> <li>▶ 17% increase in North American fleet on rent</li> <li>▶ 49 greenfield openings in North America</li> <li>▶ \$476m spent on North American acquisitions</li> <li>▶ £46m spent on UK acquisitions</li> </ul>	<p><b>KPIs</b></p> <p>Fleet on rent</p> <p><b>Risks</b></p> <p>Competition</p> <p>People</p>

 Operational excellence			
STRATEGIC PRIORITIES	KEY INITIATIVES	UPDATE	RELEVANT KPIs & RISKS
<ul style="list-style-type: none"> <li>▶ Improve operational capability and effectiveness</li> <li>▶ Continued focus on service</li> </ul>	<ul style="list-style-type: none"> <li>▶ Operational improvement:               <ul style="list-style-type: none"> <li>– delivery cost recovery</li> <li>– fleet efficiency</li> </ul> </li> <li>▶ Increased use of technology to drive optimal service and revenue growth</li> <li>▶ ARE initiative: Availability, Reliability, Ease</li> <li>▶ Focus on culture</li> </ul>	<p>Continued focus on improvement programmes designed to deliver improved dollar utilisation and EBITDA margins</p>	<p><b>KPIs</b></p> <p>Underlying EBITDA margins</p> <p>Rol</p> <p>Fleet on rent</p> <p>Staff turnover</p> <p>Safety</p> <p><b>Risks</b></p> <p>People</p> <p>Health and safety</p>

**Maintain financial and operational flexibility**

**STRATEGIC PRIORITIES**

- ▶ Rol above 15% for the Group
- ▶ Maintain leverage in the range 1.5 to 2 times net debt to EBITDA
- ▶ Ensure financial firepower at bottom of cycle for next 'step-change'

**KEY INITIATIVES**

- ▶ Driving improved dollar utilisation
- ▶ Maintain drop through rates
- ▶ Increasing US store maturity
- ▶ Maintaining financial discipline
- ▶ Optimise fleet profile and age during the cyclical upturn

**UPDATE**

- ▶ Strong Rol at 17% (2016: 19%)
- ▶ Sunbelt dollar utilisation of 53% (2016: 56%)
- ▶ A-Plant dollar utilisation of 51% (2016: 52%)
- ▶ Fall through of 57% and 35% in Sunbelt and A-Plant
- ▶ Sunbelt EBITDA margin improved to 49% (2016: 48%)
- ▶ A-Plant EBITDA margin of 37% (2016: 38%)
- ▶ Leverage of 1.7 times EBITDA
- ▶ Fleet age remains stable and appropriate at this stage of the cycle:
  - Sunbelt 29 months (2016: 25 months)
  - A-Plant 29 months (2016: 27 months)

**RELEVANT KPIs & RISKS**

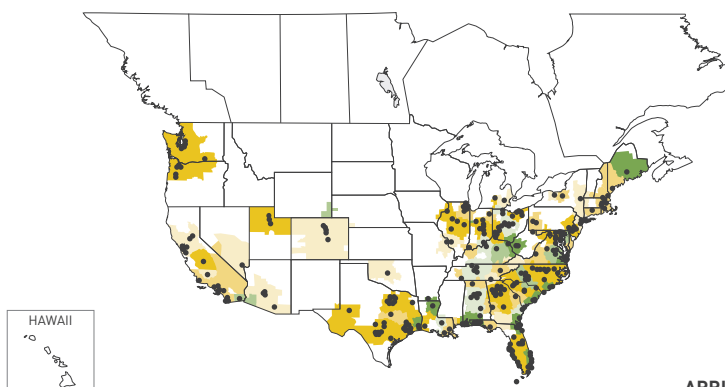
- KPIs**
- Rol
  - Dollar utilisation
  - Underlying EBITDA margins
  - Leverage
  - Net debt
- Risks**
- Economic conditions
  - Competition
  - Financing

**BUILDING A BROAD PLATFORM FOR GROWTH**

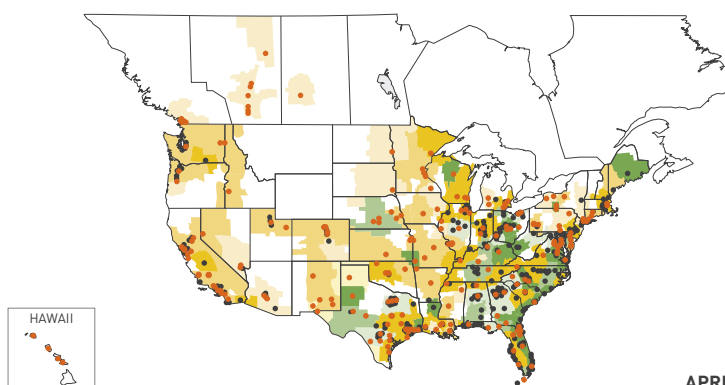
The first of our strategic priorities is to build a broad platform for same-store growth supplemented by small bolt-on acquisitions and new greenfield sites. You can see from the maps opposite how we have made an enormous impact on the US market since 2012 and how much potential there still is to grow. We have added over 250 new locations over the last five years. 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, with the ability to add around a further 250 locations.

There is a drag on margins when we open new stores but 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 because once a store has been open for 12 months, it has average growth of 7% and it generates the best returns. This is part cyclical market growth of 4% and part structural growth of 3%. So even if the market stops growing, our stores don't because that structural part of the growth 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 new greenfield sites become profitable very quickly.

**08 MARKET SHARE AND GROWTH STRATEGY**



APRIL 2012

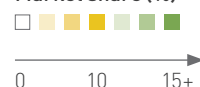


APRIL 2017

**Growth**

- Stores – April 2012
- Store growth – May 2012 to April 2017

**Market share (%)**



# OUR STRATEGY CONTINUED

## 09 SOURCES OF REVENUE GROWTH (YEAR ENDED 30 APRIL 2017)

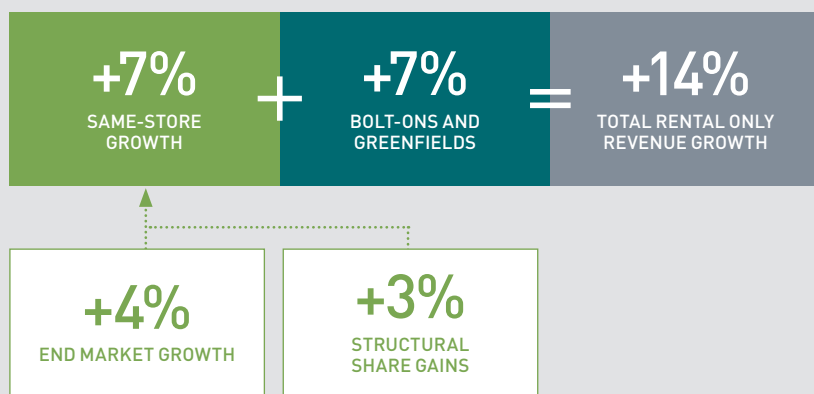


Chart 09 shows the revenue growth and mix from bolt-on acquisitions and greenfield sites. When we add the 7% growth from our bolt-on acquisitions and greenfield sites, total revenue growth becomes 14%, of which two-thirds is structural and not driven by market growth. Our strategy capitalises on both 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.

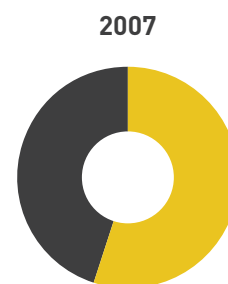
We are always on the lookout for the best opportunities and the flexibility in our model enables us to act quickly when we need to, whether that be opening a new greenfield site or making an acquisition. We are also flexible in the mix of greenfields and bolt-on acquisitions depending on the opportunities we see. In March 2017, we acquired Pride Equipment Corporation in New York. This enhances our presence in the important New York City market and accelerates a couple of planned greenfields and some growth capital expenditure. Further diversifying the business is also a priority and opportunities that allow us to do so further 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 21% in 2017. This year 25 of our 49 greenfield openings in North America were specialty stores and we added seven through acquisition. The growth in our Climate Control specialty business means we are now the largest 'spot' climate control business in the US. We aim to build specialty businesses generating \$1bn 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 10.

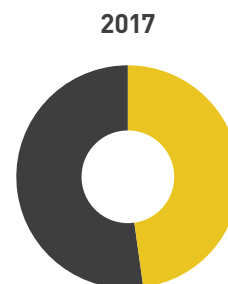
Specialty markets are typically characterised by low rental penetration and a predominance of small local players. We continue to see further opportunity as we consolidate and improve the service offering leading to market growth from increased rental penetration as our customers become accustomed to 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 11 opposite 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.

## 10 BUSINESS MIX



■ Construction	55%
■ Non-construction	45%



■ Construction	48%
■ Non-construction	52%



## 11 RENTAL PENETRATION: THE PRODUCT RANGE



One of the ways that we are encouraging customers to think about hiring smaller tools is by making it as easy and cost effective to hire small tools as it is to hire larger equipment. For example, ToolFlex™ is a subscription-type service that allows customers to hire and exchange a set number of tools and equipment as often as they want for a flat fee per month. This fee is cheaper than if the items were to be hired individually and the programme is proving very popular with smaller customers.



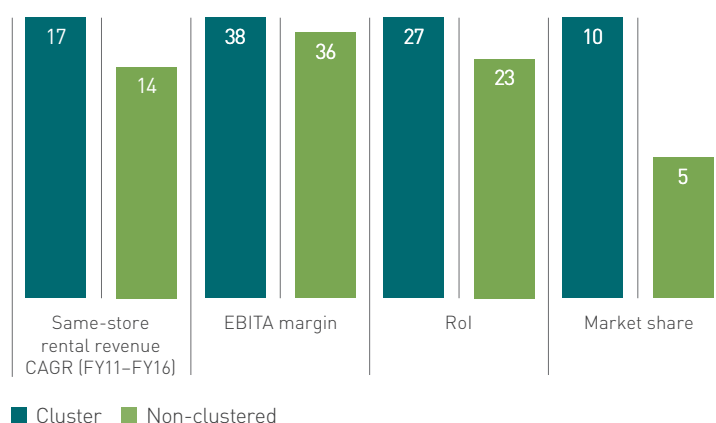
Our cluster approach is also an important aspect of building a broad platform for growth. Our greenfield sites are chosen carefully to enhance our existing business. We focus on building clusters of stores because, as can be seen in chart 12 below which analyses performance over the period from 2010/11 to 2015/16, our clusters grow more quickly and have better margins and RoI.

As part of Project 2021 we have changed our definition of clusters based on the size of the market. A top 25 market cluster must now have more than 10 stores, a top 26-50 market cluster more than seven stores and a top 51-100 market more than four stores. We now also include the smaller 101-210 markets within our cluster analysis which we did not do before.

We have found that these 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 now two or more stores. This change in our definitions means we have fewer clusters than before but, we believe, more opportunity from the ones we have.

We have also re-evaluated the composition of an optimal cluster. We are now focused 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 group is what gives us real competitive advantage. We find that having one large anchor location is highly desirable and we like to mix up the large equipment locations with smaller general tool stores.

## 12 CLUSTERS – A PROVEN TRACK RECORD OF ENHANCED PERFORMANCE (%)



## OUR STRATEGY CONTINUED

### 13 SIGNIFICANT OPPORTUNITY TO BUILD OUT FURTHER CLUSTERS

Rental markets	Top 25	26-50	51-100	101-210
Rental market %	56%	19%	16%	9%
Cluster definition	>10	>7	>4	>1
Clustered	11 markets 176 stores	10 markets 101 stores	3 markets 20 stores	14 markets 33 stores
Non-clustered	14 markets 95 stores	15 markets 68 stores	44 markets 81 stores	38 markets 38 stores
No presence	0	0	3	58

The addition of specialty stores serves to really differentiate us from any competitors in the area. The knock-on effect of this is that average revenue per store is no longer 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.

#### 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 for good 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 ('ARE'). 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 small customers as to our larger ones. Maintaining low staff turnover and high staff safety levels are crucial to our strategy for operational excellence and you can read more about these in our Responsible business report on page 46.



**Customers' rental experience should be one of availability, reliability and ease."**

In Sunbelt, 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 97% 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.

#### THE CHALLENGE

**A cinema complex construction project needs a lifting solution for heavy equipment**

#### OUR SOLUTION

**We supplied a purpose-built beam to provide safe and cost effective lifting**

Two void spaces either side of the main construction opening used for loading and unloading at a cinema complex in the West Midlands meant no heavy equipment could be placed there. Our specialty lifting business, FLG Services, provided a purpose built beam to span the void and enable engineers to carry out safe lifting operations. The design and erection of the 10 metre beam on portable gantry legs, allowed the operator to lift, move and lower material via a powered electric chain block.

**"Our specialist lifting expertise was put to great use designing and supplying an innovative and cost-effective long-term solution to our customer's construction site lifting needs."**

Matt Hood  
Regional Operations Manager,  
FLG Services





## THE CHALLENGE

## National Veterans Memorial & Museum construction team needs wide range of equipment

## OUR SOLUTION

We supplied a huge variety of equipment and tools to support this prestigious project

The construction of the National Veterans Memorial & Museum, a facility designed to celebrate and honour all veterans, is underway in Columbus, Ohio. The project is led by primary contractor Turner Construction and supported by subcontractor Baker Concrete. We've supplied everything from straight boom manlifts and skidsteers to construct rebar enforcements, as well as industrial heaters to help shape the concrete into the unique circular design of the project.

**"The breadth of our fleet means we can meet any construction challenge. We're honoured to be involved in such an important project as the National Veterans Memorial and Museum."**

Steve Caldwell  
Regional Vice  
President



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, 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 be good at all of it.

Technology is increasingly playing a big part in delivering availability, reliability and ease to customers, as we develop proprietary applications to improve the rental process. Sunbelt's complete digital eco-system begins with our online Command Centre, including a mobile app, where customers can see 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've 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 CRM (customer relationship management) 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. Finally, 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 reference to make efficiency gains, add depth to our growth strategy and provide more accurate strategic forecasts.

We continue to be focused on optimising dollar utilisation (the rental revenue return over the original cost of any of our equipment) and driving improvement in margins through strong drop through (the proportion of incremental rental revenue that drops through to EBITDA). This year, 57% of revenue growth at Sunbelt dropped through to EBITDA. Drop through reflects the drag effect of yield, greenfield openings and acquisitions. Stores open for more than one year saw 60% of revenue growth drop through to EBITDA. Sustaining and improving our EBITDA margins is key to our success. The annual drop through of 57% is a testament to the benefits of being selective in the business we take and our stable and efficient business model. The fact that, despite a significant investment in greenfields, our margins improved, demonstrates the potential for further margin improvement. A-Plant's focus is the same with 35% of revenue growth dropping through to EBITDA and maintaining a margin of 37% (2016: 38%).



## OUR STRATEGY CONTINUED

### THE CHALLENGE

## Music festival organisers want a floating stage in the middle of a lake



### OUR SOLUTION

Our events specialty business designs and installs a safe and steady solution

The Latitude festival organisers asked our specialist Live events business to construct a 'floating' stage. To be totally safe, we designed a solution for installing our track panels at the bottom of the park's lake on which the stage could be installed. The bungs in the panels, which usually prevent dirt entering, were removed, allowing water to fill the chambers and help keep the panels submerged.

**"Coming up with innovative festival solutions is always fun and this one was particularly interesting. After weeks of planning, the stage installation was complete in around an hour!"**

John Bond  
Senior Contracts  
Engineer, Live Trakway



### 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 of which we want to take advantage. 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. This is because as stores mature and get bigger and broaden their fleet range 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 do so. This also means that we are now at a very different stage in our evolution relative to the current economic cycle to where we were in the last. We have more stores overall and they are larger than at the peak of the last cycle, so we are much better placed to weather the next downturn when it comes, as we know it will.

We have, over recent years, been consistent in our commitment to both low leverage and a young fleet age and we are now benefitting from the options that this strategy has provided. As our fleet replacement expenditure remains moderate, we are in a phase of the cycle where we anticipate both good earnings growth and significant cash generation.



## A strong balance sheet is fundamental to our success at all stages in the 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 are in a highly cash generative phase as we continue to grow the business in a cyclical upturn. As a consequence, our leverage would trend naturally towards the lower end of our target range of 1.5 to 2.0 times net debt to EBITDA which provides the Group with significant flexibility and security. However, we believe that the current cycle will likely be lengthened by current policy proposals in the US, if enacted, and therefore we do not need to be towards the lower end of our leverage range at this stage. This gives us even more flexibility to invest in growth.

The typical fleet age profile of our customers and some of our smaller competitors means that a greater

proportion of their fleet needs to be replaced in the near future at much higher prices. We get significant competitive advantage from our younger fleet and our purchasing power. Our strong balance sheet allows us to capitalise on this advantage in both North America and the UK.

From this position of strength in the up-cycle, we can ensure we have sufficient financial resources at the bottom of the cycle to prepare for the next 'step-change' in the market and capitalise on growth opportunities in the early stages of the next recovery.

In terms of fleet investment, we are replacing 2009, 2010 and 2011 spend which were low spend years at the bottom of the last cycle. Therefore, the lower replacement capital expenditure seen this year will continue over the next two

or three years and our strong cash generation will continue. While we will flex short-term spend to reflect market conditions, we are committed to our long-term structural growth. So once again we will be opening around 60 new locations in North America by way of greenfield and bolt-ons next year and expect to continue to do so in the medium term. We anticipate market leading growth in both divisions but with the added benefit of significant cash generation.

In 2008 and 2009 our financial and operational flexibility enabled us to adjust our fleet spend more quickly and aggressively than the rest of the market as we entered a downturn in the cycle. Our model is very flexible and has proven itself to be adjustable very quickly, when market conditions require. We are very conscious that we have to know both when to spend and when not to.

### THE CHALLENGE

## London Mayor needs help directing crowds at New Year's Eve fireworks display

### OUR SOLUTION

We supplied variable message signs with dedicated operators to manage the 110,000+ crowd

Our specialist traffic management business A-Plant Lux was again asked to supply variable message signs ('VMSs') for the Mayor's New Year's Eve fireworks to help manage the crowd for the Metropolitan Police. Our 31 VMSs were stationed at strategic points around central London including four in Trafalgar Square. We had eight Traffic Management Operatives looking after the signs on the night and a dedicated manager in the main control room under the London Eye.

**"It's always great to be involved in such high profile events. We take pride in helping ensure the safety of all the people who travel to celebrate the New Year with the annual fireworks display."**

Michael Baird-Parker  
Regional Contract  
Manager, A-Plant Lux

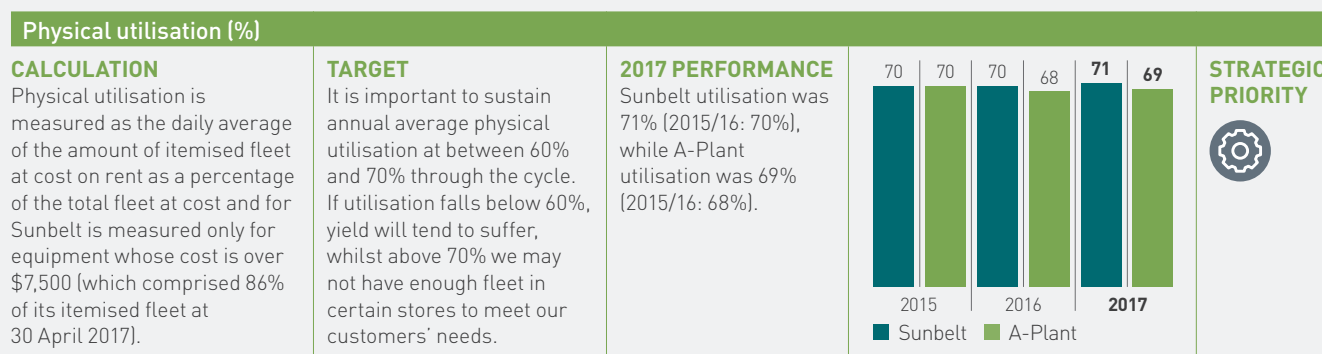
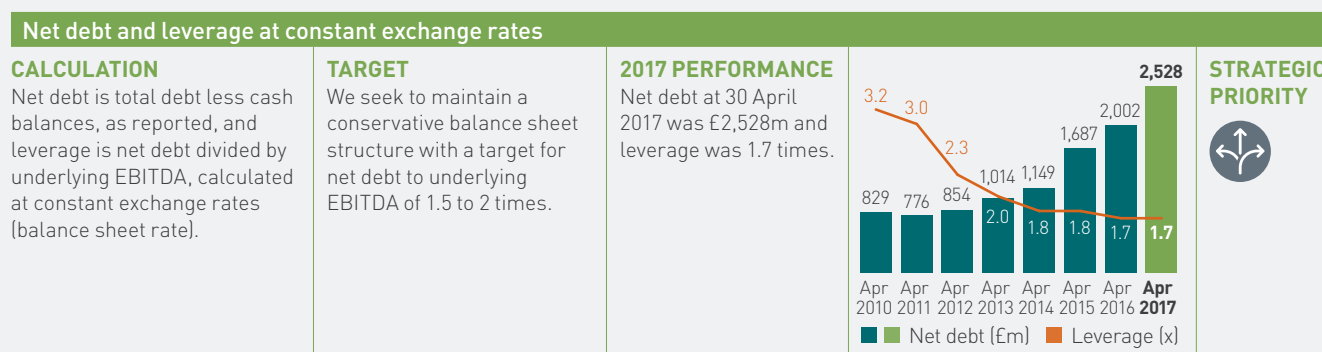
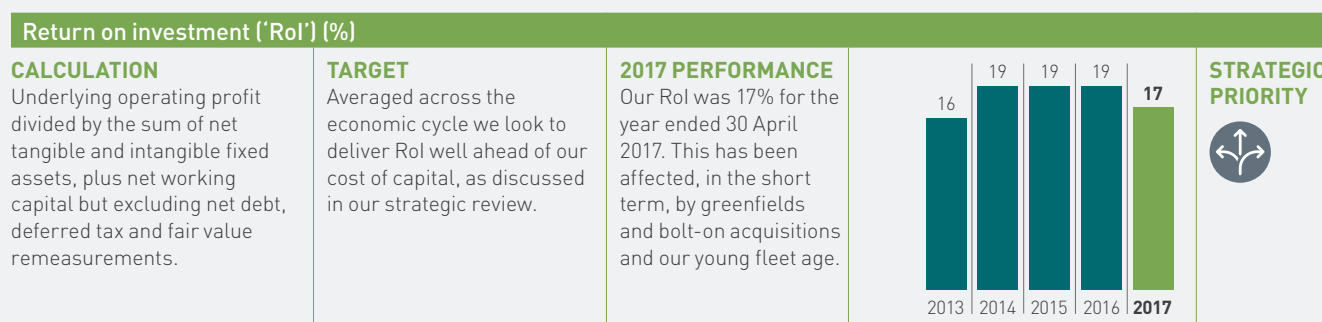
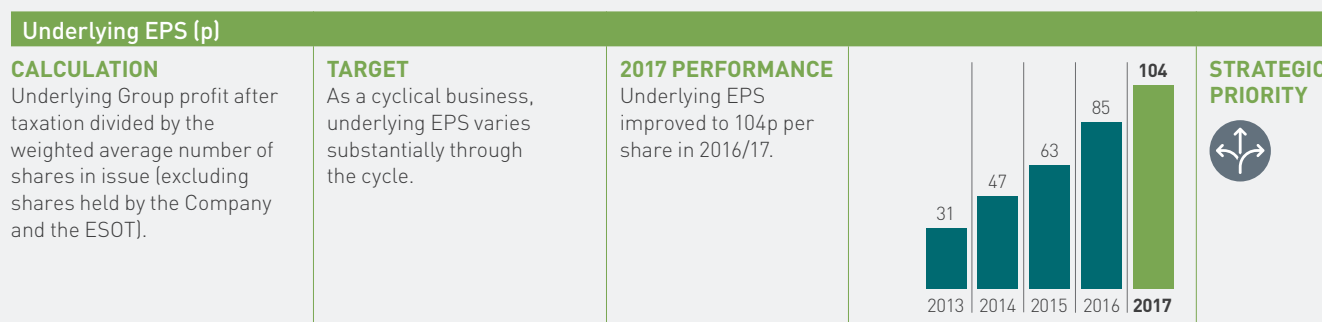


# KEY PERFORMANCE INDICATORS MEASURING OUR PERFORMANCE

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 24. Several of these KPIs (underlying EPS, return on investment and leverage) influence the remuneration of our executive team (see page 69).

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





### Fleet on rent (\$m/£m)

#### CALCULATION

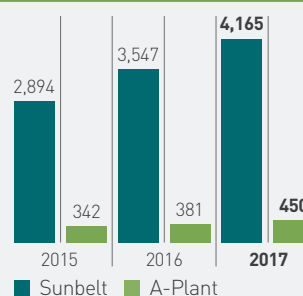
Fleet on rent is measured as the daily average of the original cost of our itemised equipment on rent.

#### TARGET

To achieve growth rates in Sunbelt and A-Plant in excess of the growth in our markets and that of our competitors.

#### 2017 PERFORMANCE

In Sunbelt, fleet on rent grew 17% in 2016/17, whilst in A-Plant it grew 18%. The US market grew 4% and the UK market by 3%.



#### STRATEGIC PRIORITY



### Dollar utilisation (%)

#### CALCULATION

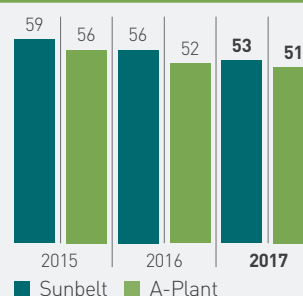
Dollar utilisation is rental revenue divided by average fleet at original (or 'first') cost measured over a 12-month period.

#### TARGET

Improve dollar utilisation to drive improving returns in the business.

#### 2017 PERFORMANCE

Dollar utilisation decreased to 53% in Sunbelt, reflecting the drag effect of yield, greenfield openings and acquisitions and the increased cost of fleet. In A-Plant it decreased to 51%, principally due to pricing pressure.



#### STRATEGIC PRIORITY



### Underlying EBITDA margins (%)

#### CALCULATION

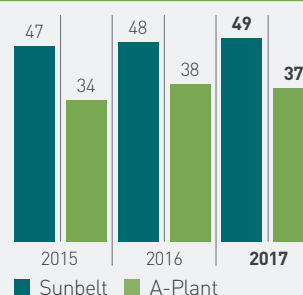
Underlying EBITDA as a percentage of total revenue.

#### TARGET

To improve margins and achieve peak EBITDA margins of 45-50% in Sunbelt during this cycle and 35-40% in A-Plant.

#### 2017 PERFORMANCE

Margins improved in 2016/17 to 49% in Sunbelt and were 37% in A-Plant.



#### STRATEGIC PRIORITY



### Staff turnover (%)

#### CALCULATION

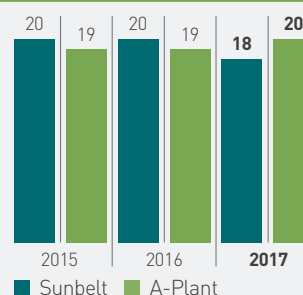
Staff turnover is calculated as the number of leavers in a year (excluding redundancies) divided by the average headcount during the year.

#### TARGET

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

#### 2017 PERFORMANCE

Turnover levels have remained relatively constant. Our well-trained, knowledgeable staff remain targets for our competitors.



#### STRATEGIC PRIORITY



### Safety

#### CALCULATION

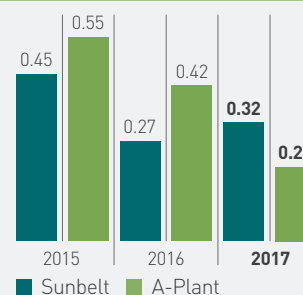
The RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable rate is the number of major injuries or over seven-day injuries per 100,000 hours worked.

#### TARGET

Continued reduction in accident rates.

#### 2017 PERFORMANCE

The RIDDOR reportable rate increased to 0.32 in Sunbelt and decreased to 0.20 in A-Plant. More detail is included in our Responsible business report on page 47.



#### STRATEGIC PRIORITY



# PRINCIPAL RISKS AND UNCERTAINTIES

## MANAGING OUR RISK


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 and is maintained by the Group Risk Committee. The Group Risk Register is based on detailed risk registers maintained by Sunbelt and A-Plant, 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 twice a year, or more frequently if required, 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. As part of this process, it reviews the results of the local risk committee assessments. It produces an annual report and updated Group Risk Register which is reviewed by the Audit Committee to assess whether the appropriate risks have been identified and to ensure adequate assurance is obtained over those risks and then it is presented formally to the Board for discussion, approval and, if appropriate, re-rating of risks. 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 46 and 47. 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.

↑ Increased risk → Constant risk ↓ Decreased risk

Economic conditions			↑
<p><b>POTENTIAL IMPACT</b></p> <p>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.</p>	<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• Prudent management through the different phases of the cycle.</li> <li>• Flexibility in the business model.</li> <li>• Capital structure and debt facilities arranged in recognition of the cyclical nature of our market and able to withstand market shocks.</li> </ul>	<p><b>CHANGE</b></p> <p>Our performance is benefitting from the economic cycle and we expect to see further upside as the economic recovery continues. However, our longer-term planning is focused on the next downturn to ensure we have the financial firepower at the bottom of the cycle to achieve the next 'step-change' in business performance.</p>	<p><b>STRATEGIC PRIORITY</b></p> 

Competition			↑
<p><b>POTENTIAL IMPACT</b></p> <p>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.</p>	<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• Create commercial advantage by providing the highest level of service, consistently and at a price which offers value.</li> <li>• Differentiation of service.</li> <li>• Excel in the areas that provide barriers to entry to newcomers: industry-leading IT, experienced personnel and a broad network and equipment fleet.</li> <li>• Regularly estimate and monitor our market share and track the performance of our competitors.</li> </ul>	<p><b>CHANGE</b></p> <p>Our competitive position continues to improve. We are growing faster than our larger competitors and the market, and continue to take market share from our smaller, less well-financed competitors. We have a 7% market share in the US and 7% in the UK.</p>	<p><b>STRATEGIC PRIORITY</b></p>  
Financing			→
<p><b>POTENTIAL IMPACT</b></p> <p>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.</p>	<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• Maintain conservative (1.5 to 2 times) net debt to EBITDA leverage which helps minimise our refinancing risk.</li> <li>• Maintain long debt maturities.</li> <li>• Use of an asset-based senior facility means none of our debt contains quarterly financial covenants when availability under the facility exceeds \$310m.</li> </ul>	<p><b>CHANGE</b></p> <p>At 30 April 2017, our facilities were committed for an average of four years, leverage was at 1.7 times and availability under the senior debt facility was \$1,305m.</p>	<p><b>STRATEGIC PRIORITY</b></p> 
Business continuity			→
<p><b>POTENTIAL IMPACT</b></p> <p>We are heavily dependent on technology for the smooth running of our business given the large number of both units of equipment we rent and our customers. A cyber security incident could lead to a loss of commercially sensitive data, a loss of data integrity within our systems or loss of financial assets through fraud. A cyber attack or serious uncured failure in our systems could result in us being unable to deliver service to our customers. As a result, we could suffer reputational loss, financial loss and penalties.</p>	<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• Robust and well-protected data centres with multiple data links to protect against the risk of failure.</li> <li>• Detailed business recovery plans which are tested periodically.</li> <li>• Separate near-live back-up data centres which are designed to be able to provide the necessary services in the event of a failure at the primary site.</li> <li>• Use of antivirus and malware software, firewalls, email scanning and internet monitoring as an integral part of our security plan.</li> </ul>	<p><b>CHANGE</b></p> <p>Our business continuity plans were reviewed and updated during the year and our disaster recovery plans were tested successfully.</p>	<p><b>STRATEGIC PRIORITY</b></p> 
People			→
<p><b>POTENTIAL IMPACT</b></p> <p>Retaining and attracting good people is key to delivering superior performance and customer service.</p> <p>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.</p>	<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• Provide well-structured and competitive reward and benefit packages that ensure our ability to attract and retain the employees we need.</li> <li>• 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.</li> <li>• Invest in training and career development opportunities for our people to support them in their careers.</li> </ul>	<p><b>CHANGE</b></p> <p>Our compensation and incentive programmes have continued to evolve to reflect market conditions and the economic environment.</p> <p>Staff turnover was at a similar level to the prior year as our well-trained, knowledgeable staff have become targets for our competitors.</p> <p>We continue to invest in training and career development with over 250 courses offered across both businesses.</p>	<p><b>STRATEGIC PRIORITY</b></p>  



# PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Health and safety →			
<p><b>POTENTIAL IMPACT</b></p> <p>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.</p>	<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Induction and training programmes reinforce health and safety policies.</li> <li>• Programmes to support our customers exercising their responsibility to their own workforces when using our equipment.</li> <li>• Maintain appropriate insurance coverage. Further details are provided on page 40.</li> </ul>	<p><b>CHANGE</b></p> <p>The overall incident rate continued to decrease in Sunbelt and A-Plant. In terms of reportable incidents, the RIDDOR reportable rate increased to 0.32 (2016: 0.27) in Sunbelt and decreased to 0.20 in A-Plant (2016: 0.42).</p>	<p><b>STRATEGIC PRIORITY</b></p> 
Environmental →			
<p><b>POTENTIAL IMPACT</b></p> <p>We need to comply with the numerous laws governing environmental protection matters. These laws regulate such issues as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. Breaches potentially create hazards to our employees, damage to our reputation and expose the Group to, amongst other things, the cost of investigating and remediating contamination and also fines and penalties for non-compliance.</p>	<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• Policies and procedures in place at all our stores regarding the need to adhere to local laws and regulations.</li> <li>• Procurement policies reflect the need for the latest available emissions management and fuel efficiency tools in our fleet.</li> <li>• Monitoring and reporting of carbon emissions.</li> </ul>	<p><b>CHANGE</b></p> <p>We continue to seek to reduce the environmental impact of our business and invest in technology to reduce the environmental impact on our customers' businesses. In 2016/17 we reduced our carbon emission intensity ratio to 79 (2016: 93) in Sunbelt and 80 (2016: 91) in A-Plant. Further detail is provided on pages 54 and 55.</p>	<p><b>STRATEGIC PRIORITY</b></p> 
Laws and regulations →			
<p><b>POTENTIAL IMPACT</b></p> <p>Failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.</p>	<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• Maintaining a legal function to oversee management of these risks and to achieve compliance with relevant legislation.</li> <li>• Group-wide ethics policy and whistle-blowing arrangements.</li> <li>• Evolving policies and practices to take account of changes in legal obligations.</li> <li>• Training and induction programmes ensure our staff receive appropriate training and briefing on the relevant policies.</li> </ul>	<p><b>CHANGE</b></p> <p>We monitor regulatory and legislation changes to ensure our policies and practices reflect them and we comply with relevant legislation.</p> <p>Our whistle-blowing arrangements are well established and the Company Secretary reports matters arising to the Audit Committee during the course of the year. During the year over 2,200 people in Sunbelt and 1,100 people in A-Plant underwent induction training and additional training programmes were undertaken in safety.</p>	<p><b>STRATEGIC PRIORITY</b></p> 

### VIABILITY STATEMENT

The Board has assessed the prospects of the Group and its ability to meet its liabilities as they fall due over the medium term. This assessment has taken account of the Group's current position and the principal risks facing the Group, which are set out on pages 34 to 36. This longer-term assessment process supports the Board's statements on both viability, as set out below, and going concern, made on page 88.

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 2020. This 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. We believe this provides a reasonable degree of confidence over this longer-term outlook.

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 negative cash flow from operations in times of rapid growth. However, in more benign or declining markets, the Group invests less in its rental fleet and, as a result, generates significant cash flow from operations. Recognising the cyclical nature of the business, we undertake scenario planning based on the timing, severity and duration of any downturn and subsequent recovery. This scenario planning considers the impact of the cycle on revenue, margins, cash flows and overall debt levels. 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, which would result in the Group not being able to meet its liabilities as they fall due.

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 2020.

# FINANCIAL REVIEW

## OUR FINANCIAL PERFORMANCE

This was another year of strong performance by Sunbelt and A-Plant.

### TRADING RESULTS

	Revenue		EBITDA		Operating profit	
	2017	2016	2017	2016	2017	2016
Sunbelt in \$m	<b>3,583.7</b>	3,276.6	<b>1,768.7</b>	1,583.7	<b>1,088.5</b>	1,013.7
Sunbelt in £m	<b>2,768.6</b>	2,180.9	<b>1,366.4</b>	1,054.1	<b>840.9</b>	674.7
A-Plant	<b>418.2</b>	364.8	<b>152.8</b>	137.0	<b>71.6</b>	67.0
Group central costs	<b>-</b>	-	<b>(14.8)</b>	(13.5)	<b>(14.9)</b>	(13.5)
	<b>3,186.8</b>	2,545.7	<b>1,504.4</b>	1,177.6	<b>897.6</b>	728.2
Net financing costs					<b>(104.2)</b>	(82.9)
<b>Profit before exceptional items, amortisation and tax</b>					<b>793.4</b>	645.3
Exceptional items					<b>-</b>	(6.2)
Amortisation					<b>(28.3)</b>	(22.4)
Profit before taxation					<b>765.1</b>	616.7
Taxation					<b>(264.1)</b>	(209.1)
Profit attributable to equity holders of the Company					<b>501.0</b>	407.6

### Margins

Sunbelt	<b>49.4%</b>	48.3%	<b>30.4%</b>	30.9%
A-Plant	<b>36.5%</b>	37.5%	<b>17.1%</b>	18.4%
Group	<b>47.2%</b>	46.3%	<b>28.2%</b>	28.6%

Group revenue for the year increased 25% to £3,187m (2016: £2,546m) with strong growth in both Sunbelt and A-Plant. Overall revenue growth reflects the benefit of weaker sterling, partially offset, as expected, by a lower level of used equipment sales due to lower replacement capital expenditure. This revenue growth, combined with strong drop through, generated underlying profit before tax of £793m (2016: £645m).

The Group's strategy remains unchanged with growth being driven by strong same-store growth supplemented by greenfield openings and bolt-on acquisitions, with Sunbelt and A-Plant delivering 14% and 15% rental only revenue growth respectively.

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

The mix of our revenue growth demonstrates the successful execution of our long-term structural growth strategy. We continue to capitalise on the opportunity presented by our markets with same-store growth of 7% and bolt-ons and greenfields contributing another 7% growth as we expand our geographic footprint and our specialty businesses. As we embark on our plan for 2021, we have made good progress on new stores with 73 added in North America in the year through greenfields and bolt-ons, almost half of which were specialty locations.

Rental only revenue growth was 14% in generally strong end markets. This growth was driven by increased fleet on rent, partially offset by yield. Average physical utilisation for the year was 71% (2016: 70%). Sunbelt's total revenue, including new and used equipment, merchandise and consumable sales,

increased 9% to \$3,584m (2016: \$3,277m), reflecting the lower level of used equipment sales as a result of lower replacement capital expenditure.

A-Plant continues to perform well and delivered rental only revenue of £304m, up 15% on the prior year (2016: £264m). This reflects increased fleet on rent. A-Plant's total revenue increased 15% to £418m (2016: £365m).

We continue to focus on operational efficiency and driving improving margins. In Sunbelt, 57% of revenue growth dropped through to EBITDA (58% US only). The strength of our mature stores' incremental margin is reflected in the fact that this was achieved despite the drag effect of yield, greenfield openings and acquisitions. Stores open for more than one year saw 60% of revenue growth drop through to EBITDA (61% US only). This strong drop through drove an improved EBITDA margin of 49% (2016: 48%) and contributed to an operating profit of \$1,088m (2016: \$1,014m). Excluding the impact of gains on used equipment sales, operating profit increased 10% over the prior year.

A-Plant's drop through of 35%, 36% on a same-store basis, contributed to an EBITDA margin of 37% (2016: 38%) and operating profit rose to £72m (2016: £67m). Excluding the impact of lower gains on used equipment sales, operating profit increased 11% over the prior year.

		\$m
2016 rental only revenue		2,304
Same-stores (in existence at 1 May 2015)	+7%	155
Bolt-ons and greenfields since 1 May 2015	+7%	163
2017 rental only revenue	+14%	2,622
Ancillary revenue	+7%	661
2017 rental revenue	+12%	3,283
Sales revenue	-15%	301
2017 total revenue	+9%	3,584



Reflecting the strong performance of the divisions, and with the benefit of weaker sterling, Group underlying operating profit increased 23% to £898m (2016: £728m). Net financing costs increased to £104m (2016: £83m), reflecting higher average debt and weaker sterling. As a result, Group profit before exceptional items, amortisation of intangibles and taxation was £793m (2016: £645m). With amortisation of £28m (2016: £22m), statutory profit before tax was £765m (2016: £617m).

### Taxation

The underlying tax charge for the year was £273m (2016: £219m), representing an effective rate of 34% (2016: 34%) of underlying pre-tax profit of £793m (2016: £645m). The reported tax charge was £264m (2016: £209m). The cash tax effective rate is 7% for the year, following the full utilisation of brought forward tax losses in the US in the year. With no losses available to offset taxable profits in future years, we expect to be a more significant cash tax payer in the US from 2017/18 onwards.

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 approved by the Board.

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.

We continue to monitor developments in the OECD's work on Base Erosion and Profit Shifting ('BEPS') and Country-by-Country Reporting ('CBCR') 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.

### Earnings per share

Underlying earnings per share increased 23% to 104.3p (2016: 85.1p) and basic earnings per share increased to 100.5p (2016: 81.3p). Details of these calculations are included in Note 9 to the financial statements.

### Return on Investment

Sunbelt's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 30 April 2017 was 22% (2016: 24%). This remains well ahead of the Group's pre-tax weighted average cost of capital although it has been affected in the short term by our investment in greenfields and bolt-on acquisitions and our young fleet age. In the UK, return on investment (excluding goodwill and intangible assets) was 13% (2016: 15%). This was impacted adversely during the year by the large number of acquisitions which we are in the process of integrating and optimising their potential. For the Group as a whole, return on investment (including goodwill and intangible assets) was 17% (2016: 19%).

### Dividends

In accordance with our progressive dividend policy, with consideration to both profitability and cash generation at a level that is sustainable across the cycle, the Board is recommending a final dividend of 22.75p per share (2016: 18.5p) making 27.5p for the year (2016: 22.5p), an increase

of 22%. If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 15 September 2017 to shareholders on the register on 18 August 2017.

### Current trading and outlook

Our markets remain good and spring has seen a good seasonal uplift in fleet on rent, together with record levels of physical utilisation for this time of year. So, with both divisions performing well and a strong balance sheet to support our plans, the Board continues to look to the medium term with confidence.

### BALANCE SHEET

#### Fixed assets

Capital expenditure in the year totalled £1,086m (2016: £1,240m) with £983m invested in the rental fleet (2016: £1,127m). Expenditure on rental equipment was 91% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division is shown in table 01 below.

In a strong North American rental market, \$657m of rental equipment capital expenditure was spent on growth while, with a lower replacement need, only \$403m 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 2017 was 29 months (2016: 25 months) on a net book value basis. Sunbelt's fleet had an average age of 29 months (2016: 25 months) while A-Plant's fleet had an average age of 29 months (2016: 27 months).

## 01 CAPITAL EXPENDITURE

	2017			2016
	Replacement	Growth	Total	Total
Sunbelt in \$m	402.9	656.8	1,059.7	1,442.7
Sunbelt in €m	311.4	507.7	819.1	984.8
A-Plant	74.0	90.1	164.1	141.8
Total rental equipment	385.4	597.8	983.2	1,126.6
Delivery vehicles, property improvements and IT equipment			102.4	113.4
Total additions			1,085.6	1,240.0

# FINANCIAL REVIEW

## CONTINUED

### 02 FLEET SIZE AND UTILISATION

	Rental fleet at original cost			LTM rental revenue	LTM dollar utilisation	LTM physical utilisation
	30 April 2017	30 April 2016	LTM average			
Sunbelt in \$m	6,562	5,663	6,163	3,283	53%	71%
Sunbelt in €m	5,072	3,866	4,764	2,536	53%	71%
A-Plant	774	615	712	365	51%	69%
	5,846	4,481	5,476	2,901		

The original cost of the Group's rental fleet and dollar and physical utilisation for the year ended 30 April 2017 are shown in table 02 above.

Dollar utilisation is defined as rental revenue divided by average fleet at original (or 'first') cost and, measured over the last 12 months to 30 April 2017, was 53% at Sunbelt (2016: 56%) and 51% at A-Plant (2016: 52%). The reduction in Sunbelt reflects the drag effect of yield, greenfield openings and acquisitions and the increased cost of fleet. Physical utilisation is time-based utilisation, which is calculated as the daily average of the original cost of equipment on rent as a percentage of the total value of equipment in the fleet at the measurement date. Measured over the last 12 months to 30 April 2017, average physical utilisation at Sunbelt was 71% (2016: 70%) and 69% at A-Plant (2016: 68%). At Sunbelt, physical utilisation is measured for equipment with an original cost in excess of \$7,500 which comprised approximately 86% of its fleet at 30 April 2017.

#### Trade receivables

Receivable days at 30 April 2017 were 50 days (2016: 49 days). The bad debt charge for the last 12 months ended 30 April 2017 as a percentage of total turnover was 0.8% (2016: 0.7%). Trade receivables at 30 April 2017 of £506m (2016: £395m) are stated net of allowances for bad debts and credit notes of £38m (2016: £27m) with the allowance representing 7.1% (2016: 6.4%) of gross receivables.

#### Trade and other payables

Group payable days were 69 days in 2017 (2016: 59 days) with capital expenditure related payables, which have longer payment terms, totalling £237m (2016: £247m). 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 £48m (2016: £47m) relate to the provision for self-insured retained risk under the Group's self-insurance policies, provisions for vacant property 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 \$1m in relation to general liability claims and \$1.5m for 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 £150m.

#### 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 £13m (2016: £10m). Amongst these, the Group has one defined benefit pension plan which covers approximately 80 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 was, measured in accordance with the accounting standard IAS 19, Employee Benefits, £4m in deficit at 30 April 2017 (2016: £2m in surplus). The investment return on plan assets was £10m better than the expected return and there was an experience gain on liabilities of £1m. This was offset by actuarial losses of £16m, predominantly arising due to a lower discount rate and higher inflation assumption applied. Overall, there was a net actuarial loss of £6m 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 2019. The April 2016 valuation, which was completed last December, showed a surplus of £6m.

#### 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.

### 03 CASH FLOW

	Year to 30 April	
	2017 £m	2016 £m
<b>EBITDA before exceptional items</b>	<b>1,504.4</b>	1,177.6
<b>Cash inflow from operations before exceptional items and changes in rental equipment</b>	<b>1,444.2</b>	1,070.6
Cash conversion ratio*	<b>96.0%</b>	90.9%
Replacement rental capital expenditure	<b>(413.9)</b>	(452.6)
Payments for non-rental capital expenditure	<b>(112.8)</b>	(109.5)
Rental equipment disposal proceeds	<b>153.4</b>	172.1
Other property, plant and equipment disposal proceeds	<b>7.4</b>	8.2
Tax (net)	<b>(49.5)</b>	(5.3)
Financing costs	<b>(101.5)</b>	(79.4)
<b>Cash inflow before growth capex and payment of exceptional costs</b>	<b>927.3</b>	604.1
Growth rental capital expenditure	<b>(607.9)</b>	(672.1)
<b>Free cash flow</b>	<b>319.4</b>	(68.0)
Business acquisitions	<b>(421.1)</b>	(68.4)
<b>Total cash absorbed</b>	<b>(101.7)</b>	(136.4)
Dividends	<b>(116.1)</b>	(81.5)
Purchase of own shares by the Company	<b>(48.0)</b>	-
Purchase of own shares by the ESOT	<b>(7.2)</b>	(12.0)
<b>Increase in net debt due to cash flow</b>	<b>(273.0)</b>	(229.9)

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

#### CASH FLOW

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 35% to £1,444m. The cash conversion ratio for the year improved to 96% (2016: 91%) reflecting a lower increase in working capital and lower gains on disposal of rental equipment than in the prior year.

Total payments for capital expenditure (rental equipment, other PPE and purchased intangibles) during the year were £1,135m (2016: £1,234m). Disposal proceeds received totalled £161m (2016: £180m), giving net payments for capital expenditure of £974m in the year (2016: £1,054m). Financing costs paid totalled £102m (2016: £79m) while tax payments were £49m (2016: £5m). 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 £927m (2016: £604m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet and on acquisitions. After growth capital expenditure, there was a free cash inflow of £319m (2016: outflow of £68m) and, after acquisition expenditure of £421m (2016: £68m), a net cash outflow of £102m (2016: £136m).

#### 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 2017 our average cost of capital was approximately 10%.

The Group targets leverage of 1.5 to 2 times net debt to EBITDA over the economic cycle. This range of leverage is appropriate for the business given our strong EBITDA margins, young fleet age and strong asset base. We believe that these levels of leverage are prudent and provide the Group with a high degree of flexibility and security.

The Group remains disciplined in its allocation of capital with the overriding objective of enhancing shareholder value. Our capital allocation framework prioritises:

- same-store fleet growth and greenfield openings;
- bolt-on acquisitions;
- a progressive dividend with consideration to both profitability and cash generation that is sustainable through the cycle; and
- additional capital returns to shareholders through share buybacks.

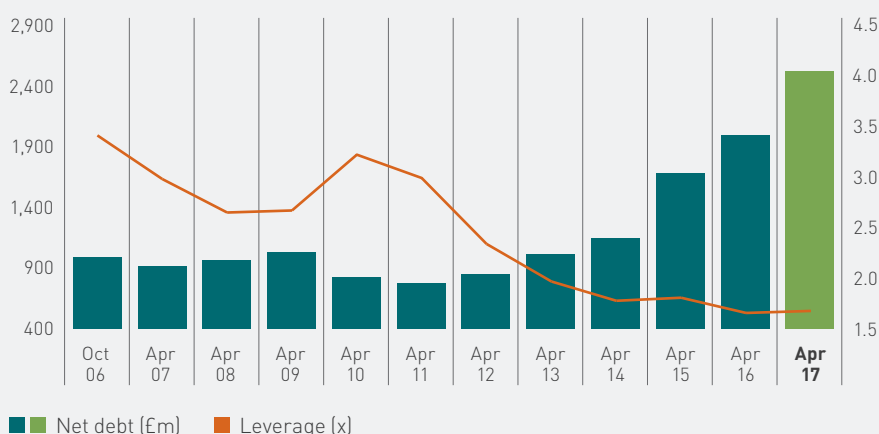
During the year we spent £48m on share buybacks. While balancing capital efficiency and security with financial flexibility in a cyclical business, we will consider further returns to shareholders in accordance with our capital allocation priorities.



# FINANCIAL REVIEW

## CONTINUED

### 04 NET DEBT AND LEVERAGE



#### Net debt

Chart 04 above shows how, measured at constant April 2017 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 and dividends with free cash flow being broadly sufficient to fund substantially all the increased capital expenditure. However, importantly, except for a rise during the recession, net debt to EBITDA leverage has been on a downward trend since the NationsRent acquisition in August 2006 and we have been operating within our target range of 1.5 to 2 times for the last three years. Furthermore, our overall balance sheet strength continues to

improve with the second-hand value of our fleet exceeding our total debt by £1.4bn.

In greater detail, closing net debt at 30 April 2017 is shown in table 05 below.

The Group has arranged its financing such that, at 30 April 2017, 94% 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 2017 was £2,528m with the increase since 30 April 2016 reflecting principally the net cash outflow of £273m (2016: £230m) and exchange rate fluctuations. The Group's EBITDA for the year ended 30 April 2017 was £1,504m and the ratio of net debt to EBITDA was therefore 1.7 times at 30 April 2017 (2016: 1.7 times) on a constant currency basis and 1.7 times (2016: 1.7 times) on a reported basis.

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 four years remaining at 30 April 2017. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 4%.

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

#### Debt facilities

The Group's principal debt facilities are discussed below.

#### First priority senior secured credit facility

At 30 April 2017, \$3.1bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility') until July 2020 while the amount utilised was \$1,950m (including letters of credit totalling \$41m). The ABL facility is secured by a first priority interest in substantially all of the Group's assets. Pricing for the revolving credit facility is based on average availability according to a grid which varies from LIBOR plus 125bp to LIBOR plus 175bp. At 30 April 2017 the Group's borrowing rate was LIBOR plus 150bp.

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.

### 05 NET DEBT

	2017 €m	2016 €m
First priority senior secured bank debt	1,449.2	1,055.2
Finance lease obligations	4.4	5.4
6.5% second priority senior secured notes, due 2022	699.4	618.2
5.625% second priority senior secured notes, due 2024	381.0	335.9
	<b>2,534.0</b>	2,014.7
Cash and cash equivalents	(6.3)	(13.0)
Total net debt	<b>2,527.7</b>	2,001.7

This covenant does not, however, apply when availability (the difference between the borrowing base and facility utilisation) exceeds \$310m. At 30 April 2017 availability under the bank facility was \$1,305m (\$1,126m at 30 April 2016), with an additional \$1,565m of suppressed availability meaning that the covenant was not measured at 30 April 2017 and is unlikely to be measured in forthcoming quarters.

As a matter of good practice, we calculate the covenant ratio each quarter. At 30 April 2017, the fixed charge ratio met the covenant requirement. Accordingly, the accounts are prepared on a going concern basis.

**6.5% second priority senior secured notes due 2022 having a nominal value of \$900m and 5.625% second priority senior secured notes due 2024 having a nominal value of \$500m**

At 30 April 2017 the Group, through its wholly owned subsidiary Ashtead Capital, Inc., had outstanding two series of second priority senior secured notes with nominal values of \$900m and \$500m. The \$900m of notes carry an interest rate of 6.5% and are due on 15 July 2022 while the \$500m of notes carry an interest rate of 5.625% and are due on 1 October 2024. The notes are secured by second priority interests over substantially the same assets as the ABL facility and are also guaranteed by Ashtead Group plc.

Under the terms of the 6.5% and 5.625% notes the Group is, subject to important exceptions, restricted in its ability to incur additional debt, pay dividends, make investments, sell assets, enter into sale and leaseback transactions and merge or consolidate with another company. Financial performance covenants under the 6.5% and 5.625% senior secured note issue are only measured at the time new debt is raised.

**Minimum contracted debt commitments**

Table 06 below summarises the maturity of the Group's debt and also shows the minimum annual commitments under off balance sheet operating leases at 30 April 2017 by year of expiry.

Operating leases relate to the Group's properties.

Except for the off balance sheet operating leases detailed below, £32m (\$41m) of standby letters of credit issued at 30 April 2017 under the first priority senior debt facility relating to the Group's insurance programmes and £5m 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.

**PRESENTATION OF FINANCIAL INFORMATION**

**Currency translation and interest rate exposure**

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. Fluctuations in the value of the US dollar with respect to the pound sterling have had, and may continue to have, a significant impact on our financial condition and results of operations as reported in pounds.

We have arranged our financing so that 94% of our debt was denominated in US (and Canadian) dollars at 30 April 2017. At that date, dollar-denominated debt represented approximately 61% of the value of dollar-denominated net assets (other than debt) providing a partial, but substantial, hedge against the translation effects of changes in the dollar exchange rate.

The dollar interest payable on this debt also limits the impact of changes in the dollar exchange rate on our pre-tax profits and earnings. Based on the current currency mix of our profits and on current dollar debt levels, interest rates and exchange rates at 30 April 2017, a 1% change in the US dollar exchange rate would impact pre-tax profit by £7m.

**06 MINIMUM CONTRACTED DEBT COMMITMENTS**

	Payments due by year ended 30 April						
	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	Thereafter £m	Total £m
Bank and other debt	-	-	-	1,456.6	-	-	1,456.6
Finance leases	2.6	1.3	0.4	0.1	-	-	4.4
6.5% senior secured notes	-	-	-	-	-	708.0	708.0
5.625% senior secured notes	-	-	-	-	-	386.5	386.5
	2.6	1.3	0.4	1,456.7	-	1,094.5	2,555.5
Deferred costs of raising finance	-	-	-	(7.4)	-	(14.1)	(21.5)
Cash at bank and in hand	(6.3)	-	-	-	-	-	(6.3)
Net debt	(3.7)	1.3	0.4	1,449.3	-	1,080.4	2,527.7
Operating leases <sup>1</sup>	71.2	61.7	51.4	42.3	34.4	110.8	371.8
Total	67.5	63.0	51.8	1,491.6	34.4	1,191.2	2,899.5

<sup>1</sup> Represents the minimum payments to which we were committed under operating leases.

## Alternative performance measures

The directors have adopted various alternative performance measures ('APMs') to provide additional useful information on the underlying trends, performance and position of the Group. The APMs are not defined by International Financial Reporting Standards ('IFRS') and therefore may not be directly comparable with other companies' APMs, but are defined within this Annual Report and summarised in the Glossary.

## Revenue

Our revenue is a function of our rental rates and the size, utilisation and mix of our equipment rental fleet. The rates we charge are affected in large measure by utilisation and the relative attractiveness of our rental equipment, while utilisation is determined by fleet size, market size and our market share, as well as general economic conditions. Utilisation is time-based utilisation which is calculated as the daily average of the original cost of equipment on rent as a percentage of the total value of equipment in the fleet at the measurement date. In the US, we measure time utilisation on those items in our fleet with an original cost of \$7,500 or more which constituted 86% of our US serialised rental equipment at 30 April 2017. In the UK, time utilisation is measured for all our serialised rental equipment. The size, mix and relative attractiveness of our rental equipment fleet is affected significantly by the level of our capital expenditure.

The main components of our revenue are:

- revenue from equipment rentals, including related revenue such as the fees we charge for equipment delivery, erection and dismantling services for our scaffolding rentals, fuel provided with the equipment we rent to customers and loss damage waiver and environmental fees;
- revenue from sales of new merchandise, including sales of parts and revenue from a limited number of sales of new equipment; and
- revenue from the sale of used rental equipment.

## Costs

The main components of our underlying total costs are:

- staff costs – staff costs at our stores as well as at our central support offices represent the largest single component of our total costs. Staff costs consist of salaries, profit share and bonuses, social security costs, and other pension costs, and comprised 32% of our total operating costs in the year ended 30 April 2017;
- used rental equipment sold which comprises the net book value of the used equipment sold in the year as it was stated in our accounts immediately prior to the time at which it was sold and any direct costs of disposal, comprised 6% of our total operating costs in the year ended 30 April 2017;
- other operating costs – comprised 36% of total operating costs in the year ended 30 April 2017. These costs include:
  - spare parts, consumables and outside repair costs – costs incurred for the purchase of spare parts used by our workshop staff to maintain and repair our rental equipment as well as outside repair costs;
  - facilities costs – rental payments on leased facilities as well as utility costs and local property taxes relating to these facilities;
  - vehicle costs – costs incurred for the maintenance and operation of our vehicle fleet, which consists of our delivery trucks, the light commercial vehicles used by our mobile workshop staff and cars used by our sales force, store managers and other management staff; and
  - other costs – all other costs incurred in operating our business, including the costs of new equipment and merchandise sold, advertising costs and bad debt expense.
- depreciation – the depreciation of our property, plant and equipment, including rental equipment, comprised 26% of total costs in the year ended 30 April 2017.

A large proportion of our costs are fixed in the short to medium term, and material adjustments in the size of our cost base typically result only from openings or closures of one or more of our stores. Accordingly, our business model is such that small increases or reductions in our revenue can result in little or no change in our costs and often therefore have a disproportionate impact on our profits. We refer to this feature of our business as 'operational leverage'.

## CRITICAL ACCOUNTING POLICIES

We prepare and present our financial statements in accordance with applicable IFRS. In applying many accounting principles, we need to make assumptions, estimates and judgements. These assumptions, estimates and judgements are often subjective and may be affected by changing circumstances or changes in our analysis. Changes in these assumptions, estimates and judgements have the potential to materially affect our results. We have identified below those of our accounting policies that we believe would most likely produce materially different results were we to change underlying assumptions, estimates and judgements. These policies have been applied consistently.

## Revenue recognition

Revenue represents the total amount receivable for the provision of goods and services including the sale of used rental plant and equipment to customers net of returns and VAT/sales tax. Rental revenue, including loss damage waiver and environmental fees, is recognised on a straight-line basis over the period of the rental contract. Because 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 equipment delivery and collection is recognised when delivery or collection has occurred and is reported as rental revenue.

Revenue from the sale of rental equipment, new equipment, parts and supplies, retail merchandise and fuel is recognised at the time of delivery to, or collection by, the customer and when all 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.

#### Property, plant and equipment

We record expenditure for property, plant and equipment at cost. We depreciate equipment using the straight-line method over its estimated useful economic life (which ranges from three to 20 years with a weighted average life of eight years). We use an estimated residual value of 10–15% of cost in respect of most types of our rental equipment, although the range of residual values used varies between zero and 35%. We establish our estimates of useful life and residual value 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. Useful lives and residual values are reassessed annually, recognising the cyclical nature of our business.

We may need to change these estimates if experience shows that the current estimates are not achieving this objective. If these estimates change in the future, we may then need to recognise increased or decreased depreciation expense. Our total depreciation expense in the year ended 30 April 2017 was £607m.

#### Impairment of assets

Goodwill is not amortised but is tested annually for impairment at 30 April. 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 level for which there are separately identifiable and independent cash flows for the asset being tested for impairment. In the case of goodwill, impairment is assessed at the level of the Group's cash-generating units. For this purpose they are considered to be the specialty Pump & Power, Climate Control and Scaffolding businesses and the remaining general equipment business in the US and the specialty Live, PSS (trenchless technology and fusion) and lifting businesses and the remaining general equipment business in the UK. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Management necessarily applies its judgement in estimating the timing and value of underlying cash flows within the value in use calculation as well as determining the appropriate discount rate. Subsequent changes to the magnitude and timing of cash flows could impact the carrying value of the respective assets.

#### Business combinations

We account for business combinations using the acquisition method. The assets and liabilities of the acquiree that exist as at the date of acquisition are identified and measured at fair value. Intangible assets are recognised if they are identifiable. Assets or disposal groups held for sale at the acquisition date are measured at fair value less costs to sell.

Income taxes are recognised and measured in accordance with applicable accounting standards including the potential tax effects of the temporary differences and carry-forwards of the acquiree that exist at the acquisition date or as a result of the business combination.

Goodwill represents the difference between the fair value of the consideration for the 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.

Consideration is the fair value at the acquisition date of the assets transferred and liabilities incurred in acquiring the business and includes the fair value of any contingent consideration arrangement. Changes in the fair value of contingent consideration due to events post the date of acquisition are recognised in the income statement.



# RESPONSIBLE BUSINESS REPORT

## BEING RESPONSIBLE IN EVERYTHING WE DO

Being responsible is a crucial part of who we are and how we work at Ashtead. We seek to act responsibly in everything we do.

### RESPONSIBLE BUSINESS



At the most basic level, acting responsibly is all about 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. And then, delivering all of that every time a customer makes a new order or a new customer hears we are worth trying out.

At a broader level, being responsible means we seek, through our sustainable business model, to improve the lives of our customers, employees, investors and the communities where we live and 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 keep them safe and reward them well for their efforts.

Investors trust us to deliver good returns throughout the economic cycle.

Above are the responsible business elements that we judge to be the most material to our business and which we discuss in detail here. We assess why each matters, how we have performed and our objectives.

## ENSURING ASHTEAD REMAINS A RESPONSIBLE BUSINESS

The obligation for ensuring Ashtead remains a responsible business rests with the Group's Board of directors. The board is assisted in this function by the Group Risk Committee which is chaired by Suzanne Wood, our finance director. Other members of the Committee are:

- the heads of Sunbelt's and A-Plant's risk, environmental, health and safety teams;
- UK and US counsel;
- the heads of Sunbelt's and A-Plant's performance standards (internal operational audit) teams; and
- the Sunbelt board member to whom the risk, environmental, health and safety teams report.

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 of Sunbelt and A-Plant so that best practice and new initiatives in one business can be shared with, and adopted by, the other.

Our commitment to the highest ethical standards means that the Group Risk Committee also works to ensure these continue to be communicated and upheld throughout the business. Our group-wide ethics and entertainment policies are communicated directly to employees through dedicated communication and training programmes. Whistle-blowing arrangements, in place in both the US and the UK, allow employees, in confidence, to raise concerns about any alleged improprieties they may encounter.

Sunbelt designated 2016/17 as its 'Ethics Year' to achieve 100% completion by all identified customer and/or supplier-facing job roles of a course on basic principles including honesty, ethics and fairness, in addition to complying with the law.

The Group Risk Committee priorities this year included:

- assessment of the Group Risk Register;
- identification and prioritisation of business risks;
- reduction in accident rates;
- continued training on driving hours and vehicle fleet compliance;
- health and safety training;
- enhanced training capabilities, particularly for key field personnel;
- continued implementation of driver behavioural software tools;
- refresher Competition Act and Bribery Act training;
- updated business continuity plan;
- disaster recovery plan testing;
- performance standards audits; and
- cyber-security.

## HEALTH AND SAFETY

### Why they matter

Health and safety are fundamental to our business as we need to provide equipment that is safe to use and minimise the risks our people and our customers may encounter. 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.

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 33).

At Sunbelt our online Incident Prevention Model helps us track incidents occurring in the workplace and put in place new procedures to mitigate against those. This year Sunbelt had 1,363 reported incidents in North America relative to an average workforce of 10,287 (2016: 948 incidents relative to an average workforce of 10,001), whilst A-Plant had 290 incidents relative to an average workforce of 3,294 (2016: 284 incidents relative to an average workforce of 2,953). 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 more timely reporting of every incident or first aid event that occurs. This continued focus has contributed to the increased number of incidents reported in North America.

Reportable accidents continue to be defined differently in the US and UK. Under the relevant definitions which generally encompass more accidents in the US than in the UK, Sunbelt had 165 OSHA (Occupational Safety and Health Administration) recordable accidents (2016: 158 accidents) which, relative to total employee hours worked, gave a Total Incident Rate of 1.18 (2016: 1.20). In the UK, A-Plant had 14 RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) (2016: 26), reportable incidents which, relative to total employee hours worked, gave a RIDDOR reportable rate of 0.20 (2016: 0.42). In order to compare accident rates between the US and UK, Sunbelt also applied the RIDDOR definition to its accident population which gave a figure this year of 89 RIDDOR reportable accidents in the US and a RIDDOR reportable rate of 0.32. We remain committed to continuing to reduce these rates as much as possible.

# RESPONSIBLE BUSINESS REPORT CONTINUED

## Safety initiatives

### Driver and vehicle safety

Our US transportation fleet continues to operate as one of the safest fleets in the equipment rental industry. We continued our commercial vehicle training programme across the US, with more than 1,400 employees trained in vehicle safety and compliance. Over the last four years, our US commercial vehicle training programmes have been instrumental in the education of more than 11,000 employees nationwide. We lead the industry in continuously supporting the training and education of employees in commercial vehicle compliance and safety.

Our motor vehicle incident rate continues to decline. We achieved additional decreases as we rolled out our Driver Behaviour Management System ('DBMS') in the US. The 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. Our overall goal is to recognise and address unsafe behaviours, such as speeding and harsh braking before they result in an incident. While still in the early stages of implementation, the system is already making a big difference – we are experiencing a 90% decrease in on-the-road unsafe behaviours and activities. While designed to improve driving behaviour, we anticipate further benefit

through cost savings due to lower fuel usage, engine maintenance and accidents.

In addition to DBMS, employees are participating in online driver risk assessments that identify safe and unsafe behaviours through interactive driving modules. By identifying the risk profiles of our drivers, we will be able to develop specific training courses for them.

In 2017, Sunbelt will also begin transitioning from a paper version of drivers' logbooks to an electronic version. By switching over to the electronic drivers' log, our drivers will receive real-time feedback on their hours of service and our fleet safety compliance team will be able to retrieve driver data immediately. In addition to the electronic hours of service logs, we will be transitioning to an electronic pre-trip inspection that will be conducted on the driver's phone.

In the UK, we train over 350 drivers each year. 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 at A-Plant, including delivery drivers and fitters, are required to undertake the A-Plant Driver Induction Course, which is delivered in the form of workshops and covers transport procedures, legislation, hazard perception and practical driver assessments.

### Other safety initiatives

At Sunbelt we continue to conduct Safety Coordinator Bootcamps for each Safety Coordinator in the company. These training sessions ensure that each store has a representative trained in many of the best practices we measure and use.

During the year Sunbelt focused on embedding within operations its initiatives related to Sunbelt Safety, Health & Environmental ('SH&E') Committees, a Short-Service Employee Programme, and the Stop Work Initiative. 2016/17 was the first full year of implementation of Sunbelt's procedure for Near Miss Reporting, Pre-Task Planning and Post Incident Management. This facilitates more complete reporting of incidents, and near incidents, resulting in a better understanding of the causes thereof. This enables us to adapt our processes to reduce the risk of such incidents occurring. This contributed to a lower recordable incident rate of 1.18 for 2016/17 compared with 1.20 for 2015/16. As a result, related metrics improved with a 20% reduction in lost time and an 18% reduction in workers' compensation costs.

Sunbelt and A-Plant hold an annual safety week, designed to increase awareness of the importance of safety across the business. Through a combination of presentations and workshops, key safety messages are shared with all employees.



## FORS ACCREDITATION

Last year A-Plant successfully retained its Whole Fleet Accreditation status under the Fleet Operator Recognition Scheme ('FORS'), the accreditation programme that drives best practice across the fleet industry. A-Plant is the UK's first equipment rental company, and only one of seven companies from over 4,000 firms registered with FORS, to secure nationwide accreditation and the first to renew Whole Fleet Accreditation under the new FORS Standard 4.0. FORS encompasses all aspects of safety, efficiency and environmental protection by encouraging and training fleet operators to measure, monitor and improve performance. The scheme was first rolled out to fleet operators based in and around London, but it proved to be so popular it is now open to any UK company that operates a fleet of vehicles.





## Health and safety are fundamental to our business."



### ONE MILLION SAFE MILES AWARD

Cody Davis began his driving career at Sunbelt in 1991. In those 26 years, Cody has driven over one million miles without a single incident or DOT violation. Cody's favourite part of his job is being out on the road and helping customers with their equipment needs. Cody has seen first-hand the growth/development surrounding a major city like Seattle, WA. He makes a point to pay attention to that growth to ensure there is a place for Sunbelt. Cody says the key to being successful at his job is being vigilant of other drivers, reading them and anticipating their next move. "If you see a driver is distracted or in a hurry, slow down and make sure to stay out of their way."

In the summer of 2017 employees in the US and Canada will participate in a cultural assessment to measure a specific set of factors that are predictive of performance and give the executive team an impartial profile of the organisation's culture and safety climate. The results of this survey will be used to drive the development and implementation of best-in-class programmes and processes.

For several years, A-Plant has used the 'Setting the Safety Standard' brand to promote safety within the rental industry, to our customers and staff. In addition, A-Plant established the Work Safe Home Safe campaign last year to ensure staff also take responsibility for their own safety.

This scheme promotes five golden rules:

1. Before you start work, be aware of any potential risks.
2. Stop work if it can't be done safely.
3. If safe to do so, intervene if the actions of others might be unsafe. Don't walk by.
4. Maintain a safe, clean and tidy working environment.
5. Always wear the appropriate personal protective equipment.

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

The campaign continues to be promoted widely throughout the business with promotional posters, messages, a video and merchandise being distributed to every store. In addition, the Work Safe Home Safe message was incorporated into all safety messages last year as well as being featured heavily in the company magazine, Interaction, and formed a key part of the annual safety week in November with a new film created of employees talking about what the programme means to them. In addition all A-Plant managers undertake the five-day IOSH (Institution of Occupational Safety and Health) Managing Safely course.

In addition to actual incidents, A-Plant monitors near 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.

### Health programmes

It's important to us to have a healthy workforce 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. Virgin Health Miles is a programme we use to reward our US staff for healthy behaviour, so they are incentivised to track their health and invest in it to reap the rewards that we are investing in the programme on their behalf. 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 40% of those are earning health miles.

Members have earned \$44,000 in rewards and 93% of respondents reported that the programme makes Sunbelt a better place to work. A-Plant is working on a new health and well-being campaign for 2017/18.

### 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, Sunbelt and A-Plant have dedicated aerial work platform, forklift and earth moving operator trainers who train customers and we build customised training programmes to fill their needs. In the US, we work with customers' safety teams to develop customised training courses, sometimes for a specific jobsite, the passing of which becomes a requirement for the customer operator.

In the UK, A-Plant regularly participates 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. Last year we launched a 54-page Guide to Dust Control for customers, highlighting the health risks associated with dust production particularly in construction work and providing advice on how to mitigate those. Many of our power tools are designed to maximise the amount of dust removal at source and collect it efficiently with a vacuum removal system. We offer one of the rental industry's widest ranges of equipment for water suppression, on-tool dust extraction and personal protection equipment.



# RESPONSIBLE BUSINESS REPORT CONTINUED

## OUR PEOPLE

### Why they matter

We endeavour to hire the best people, train them well and look after them so that 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 33).

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 year of employment. We increasingly find our staff targeted by competitors which, whilst a compliment, means we have to work harder to retain them.

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. Both Sunbelt and A-Plant have extensive programmes in place to ensure high standards of recruitment, training and the appraisal, review and reward of our employees. 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 are adding 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. If the business has a strong brand, we keep the brand, particularly in the UK. 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 present an overview of the Group, our plans for the acquired company and how they fit into our strategy for the future. We then further demonstrate our commitment to our new employees by investing in the business they helped build.

### Sunbelt Workday implementation

We continued the implementation of Workday, Sunbelt's online Human Capital Management System. Through Workday, we are able to offer a single source for recruiting, on-boarding, payroll, time tracking, benefits, and employee self-service. The second phase includes launching Workday for Sunbelt Rentals Canada as well as introducing a Talent/Performance Management module, additional integration (including one with Sunbelt's Learning Management System that will enable employees and managers to view transcripts in Workday), as well as advanced compensation functionality.

Through Workday, employees benefit by having a one-stop source where they can update their personal information, view their paystubs, update benefits information, and apply for jobs internally. Likewise, supervisors have an invaluable tool to help manage their direct reports better. Every employee can view Sunbelt's comprehensive organisational reporting structure across all divisions to gain a better understanding of the Company as a whole and better equip themselves to serve our customers. As we continue to grow, Workday is allowing us to be more efficient in how we engage with our employees, as well as work and communicate with them throughout the entire employee lifecycle.



### EMPLOYEE SPOTLIGHT: JO STAMP

Jo Stamp is the Grimsby Service Centre Manager at FLG Services, our UK specialty lifting business, acquired in 2013. She's worked in the rental industry for 28 years and is involved in everything from site visits to pricing, purchasing of equipment, hiring, installation, testing and inspection work, dealing with and managing any issues, and getting in overalls to carry out any lifting problems on-site. She says she's known the majority of her customers from the beginning and that keeping them in the loop at all times is paramount.

"I love lifting and can't imagine my life without it, from the hectic shutdown demands, where late nights and weekends are going to hit, to looking at equipment on fairgrounds, construction and engineering workshops. Now with the added bonus of all the extended products A-Plant has to offer, my role is even greater and we can offer customers a one-stop solution which I like."

# TOP 50

## MILITARY EMPLOYER

### Recruitment

With Sunbelt's 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. To aid in our recruitment and retention efforts we have set up a number of programmes/initiatives including:

- Manager In Training ('MIT')
  - This programme identifies top talent out of college and the military and places them through an accelerated training programme.
  - The MIT programme is based out of our top performing stores and provides focused, hands-on training allowing the MIT graduate to easily perform their duties while on a direct path to management, with incentives for staying with Sunbelt after the programme has ended.
  - Pump & Power and Scaffolding Services have already both benefitted from the implementation of this programme.
- Partnership with Lone Star Community College to identify and hire top technicians

- One of Lone Star Community College's focus areas is diesel and industrial training.
- With locations in several major metro areas, the partnership provides a broad range of candidates able to relocate in the surrounding areas.

A-Plant launched a new careers website which allows prospective employees to apply online and which allows management of 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 more detailed and tailored than before.

### A-Plant apprenticeship programme

A-Plant'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 68 trainees last year and this year we will be recruiting 79 new apprentices. Our apprentice programmes take between two 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 at our specialist division, Leada Acrow. We are pleased that our efforts to increase diversity mean

that 13% of our apprentices are female, which compares very favourably with the 2% female apprentices average for the construction industry. Our apprentice scheme also has an impressive 83% retention rate compared to the industry rate of circa 65%.

### Military recruitment

At a more senior level, we actively recruit military service members and veterans, appreciating that their experience gives candidates a sense of discipline, dedication, responsibility and a determination to do the job right the first time. These valuable skills are transferable to many of our employment positions. Sunbelt features a former military employee as a spotlight on its Military Recruiting page on its website each month. This practice is designed to educate our own employees, but also to drive interest among retired military personnel in a career at Sunbelt. Sunbelt is a Top 50 military employer.

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.



### A-PLANT TOP 100 APPRENTICE EMPLOYER

Last year the A-Plant apprenticeship scheme was named a Top 100 Apprentice Employer and the Large Employer of the Year for Merseyside, Cheshire and Staffordshire at the North West Apprentice Awards. This puts us alongside apprentice schemes from employers such as the British Army, Barclays Bank and Mercedes-Benz. We are the only major hire company to make this listing. We now have 150 apprentices across the business and we received over 1,000 applications for our 2017 intake. Our first Apprenticeship Scheme started in 2005 with a handful of apprentices. Our investment in apprentices since then is over £16 million.

# RESPONSIBLE BUSINESS REPORT CONTINUED

## 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 is 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 implemented a number of training and development initiatives during the last financial year including:

- continued roll-out of leadership and coaching training for front-line managers in our two-day Lead, Coach, Win training, reaching 256 front-line managers and bringing the total to 556 managers trained since the inception of the programme in 2016;
- roll out of two-day Play to Win sales training to all sales reps;
- development of leadership curriculum for all store managers;
- enhanced on-boarding training for key customer-facing positions;
- continued refinement of our Technician-in-Training programme by working with field service leadership to identify the most critical areas for training: electrical, hydraulics, preventive maintenance, diagnostics, and equipment-specific based on the fleet composition of any particular store;
- developed a new Store Opening Kit containing all the training materials a district manager, store manager, and business development manager should need to on-board new employees; and

- invested in a world-class Learning Management System ('LMS') that will go-live early in 2017/18 to deliver, track and manage all our training online.

Last year, A-Plant held over 5,400 employee training days through a wide range of courses. In order to identify training needs when recruiting, A-Plant has 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 skills 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 2017, A-Plant launched the Undergraduate Placement Programme which offers university students the opportunity to spend a year in our business under the mentorship of one of our directors. Students will 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.

All senior employees at A-Plant are now required to undertake an e-learning module on 'The Green Café' (A-Plant's e-learning portal) to ensure they understand their obligations and responsibilities with regard to competing fairly and the Bribery Act 2010. The module must be completed every 12 months, and only a 100% score on the module

is acceptable. Employees must repeat the module until they achieve 100%.

## 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. With effect from 1 May 2017, all eligible A-Plant employees will be paid the Living Wage (as recommended by The Living Wage Foundation) and A-Plant became an accredited Living Wage Employer. Sunbelt employees will be paid an hourly rate in excess of the state and federal recommended wage.

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, as mentioned earlier, to promote good health amongst our employees. A-Plant also runs a holiday sell back scheme as an additional benefit. This allows employees to sell unused or unwanted holiday days back



## VETERAN SPOTLIGHT: SHAWN GARCIA

While attending a veteran recruiting event, Shawn Garcia was drawn to Sunbelt after learning more about the company's extensive veteran recruitment outreach programme and support for veteran organisations such as the Gary Sinise Foundation and its R.I.S.E. programme. Shawn joined the Sunbelt Rentals Industrial Services team and loves the fast-paced, entrepreneurial environment Sunbelt offers. His managers continue to encourage his growth and education at the company. Shawn served in the Marine Corps as a machine gunner, during which time he was deployed three times, twice to the Middle East. Since completing his military career, Shawn has found a fit within the Sunbelt team. He says that the 'Make it happen' culture is perfect for someone like himself who possesses a get-it-done mentality. He is ready to earn his stripes as an Industrial Tool Specialist and later rise through the sales representative ranks.



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. 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 to 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.

While our industry has traditionally had many more men than women, we do have women at all levels in both the US and UK including on the Board, on the senior management team 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 the organisation, particularly as we expand. Last financial year in the UK, we held a special celebration of International Women's Day, highlighting some of the many very talented female staff across the organisation.

**WORKFORCE BY GENDER**

Number of employees	Male	Female	Female %
Board directors	6	3	33%
Senior management	22	2	8%
All staff	12,916	1,309	9%

**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 in place, such as whistle-blowing procedures 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



THE TEJADA FAMILY

**GARY SINISE FOUNDATION**

The Gary Sinise Foundation honours military veterans and their families through the implementation of unique programmes designed to entertain, educate, inspire, strengthen and build communities. One of the Foundation's core programmes is R.I.S.E. (Restoring Independence, Supporting Empowerment), which builds specially-adapted custom smart homes for severely wounded heroes and their loved ones so they may gain more independence in their daily lives. Sunbelt's commitment to community and veteran support led to a partnership with the Foundation and R.I.S.E.. Through this partnership, Sunbelt supplies tools and equipment to the contractors and subcontractors on each of the home builds, at no charge. Sunbelt also donates a portion of rental revenue from uniquely-branded equipment to the Foundation, which resulted in a 2016 donation of \$250,000 that directly supported the R.I.S.E. programme. Through ongoing efforts to support this extraordinary organisation, Sunbelt will continue its legacy of giving back to those in need.

human rights matters separately, we continue to assess potential risks and do not believe they raise particular issues for the business.

**COMMUNITIES**

**Why they matter**

Playing a big role in our local communities is crucial to our work both in the US and in the UK. As we expand our market share, particularly in the US, 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. In addition, our staff feel great pride in providing a service for the community. 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, for example. 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, including sponsoring a local softball team in Dallas and various charity golf tournaments across the US. We also continue to work closely with our designated charitable partner, the American Red Cross and its affiliates such as the Second Harvest Food Bank for which we have a food drive every November. We allow employees to make payroll deductions to contribute to the American Red Cross or the Sunbelt Employee Relief Fund.

In the UK we continue to support CRASH, the construction and property industry's charity for homeless people. As a Patron of the charity, A-Plant has been instrumental in delivering improved accommodation to homeless people through professional expertise, building materials and financial donations.

As part of our commitment to the Prince's Trust, Ashtead made a donation of £15,000 last year which helped young people gain access to jobs in construction, civil engineering and other sectors associated with the built environment. Ashtead forms part of the Prince's Trust Built Environment Leadership Group and donations from this group helped 950 young people move into the sector in 2016.



# RESPONSIBLE BUSINESS REPORT CONTINUED

## THE ENVIRONMENT

### Why it matters

As we expand our territory and service offering, we necessarily have more of an impact on the environments around our stores. We make every effort to ensure that our impact is a positive one and to limit any negative impact we may have in the course of our work. This helps us save on costs, on any potential damage to our reputation and also helps build that level of trust our customers require. It also helps our staff feel good about where they work and helps to build good relationships with the communities around our stores.

At Sunbelt, the Safety, Health and Environmental Department works to improve organisational awareness and focus to our environmental initiatives with safety managers also responsible for bringing awareness and compliance to environmental initiatives. Safety managers are fully trained and capable of identifying risks associated with safety and environmental issues.

In the UK, we maintained our ISO 50001 energy management certification, our significant impacts for which include electricity, natural gas for heating and diesel for our transport fleet. Our commitment to improving energy performance is intended to reduce our impact on the environment and could deliver significant cost savings.

Last year we reduced kWh and CO<sub>2</sub> per person by 1% compared with the previous year, as well as reducing water consumption with the introduction of new water recycling units. We also maintained recycling of waste rates above 85% and carried out environment, health and safety ('EHS') compliance follow-up visits for any profit centre scoring less than 75% in the EHS section of our performance standards audit.

We continued 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 and beyond. The over-arching scheme encompasses all aspects of safety, fuel efficiency, economical operations and vehicle emissions. All A-Plant locations, except for recently acquired ones, are FORS accredited with 150 locations accredited to Gold level. We expect all locations to be accredited to ensure we meet all legislative requirements, as well as helping to increase environmental and operational efficiencies.

We seek to minimise our environmental impact in everything we do, including:

- thorough evaluation of new stores and acquisitions to ensure they meet our environmental standards and do not pose an unacceptable risk to the business;

- improved safety/environmental audit tracking software and database;
- improved environmental information database increasing efficiency in addressing permits and various requirements;
- carbon, waste and other environmental KPIs captured and reported;
- increased inventory of Tier 4 engines and training of key staff on their impact and maintenance;
- national (non-exclusive) agreements for emergency response and waste disposal in the US;
- providing lists of required and recommended equipment to new store openings for spill prevention and clean-up supplies;
- use of telematics to monitor vehicle idling and driving efficiency;
- optimisation of delivery routes via our efficiency programme;
- use of tyre pressure monitors to ensure optimal fuel efficiency;
- increased fuel efficiency in delivery and service fleet, including through improved design;
- providing environmental education reminders to field and service personnel through TechConnect newsletter delivered to their homes in the US; and
- use of environmentally and ozone-friendly refrigerants in our cooling equipment.



## REFURBISHING A COMMUNITY CENTRE

Wates is one of our important customers and we were delighted to assist them during a volunteering project to revamp the Silverdale Community Centre in Nottingham. The Nottingham City Council-owned centre has been at the heart of Nottingham's Silverdale estate for many years and it has many regular users who run their groups out of the centre and provide many different services to the local community. The refurbishment work was carried out as part of Wates' national Community Week initiative in June. A-Plant formed part of a 100-strong team who donated approximately 5,000 hours to transform the exterior of the 1960s building. Activities carried out included the installation of a new playground, fresh signage and improvements to the building façade.



## We seek to minimise our environmental impact in everything we do.”

### Greenhouse gas emissions

As we are a growing business with aggressive expansion plans, our absolute 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. 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.

### GHG EMISSION BY GHG PROTOCOL SCOPE (tCO<sub>2</sub>e/YEAR\*)

	2017	2016
Scope 1	<b>214,078</b>	198,769
Scope 2	<b>37,048</b>	38,236
Total	<b>251,126</b>	237,005

\* tCO<sub>2</sub>e/year defined as tonnes of CO<sub>2</sub> equivalent per year.

In order to calculate the GHG emissions, 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 2016, 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, 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 2017, approximately 17% of the Sunbelt emissions balance was estimated.



### PEDAL POWER

A team of plucky cyclists from A-Plant completed the Manchester to Blackpool charity bike ride and raised a total of £2,525 for Cancer Research UK. It took our team of 11 a total of 3.5 hours to complete the ride which started at Manchester's Imperial War Museum and ended 60 miles later at Blackpool's South Promenade. Special mention to all riders who participated, namely Sam Arnold, Mat Smith, Andy Wortley, Ian Norrey, Lauren Hoey, Stephen North, Charlotte North, Jessica Whittles, Brian Hastings, John Moore and Mark Watkins.

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 revenue intensity. Our intensity metric is therefore an indication of emissions per £1m of revenue (tCO<sub>2</sub>e/£m).

	2017	2016
Revenue intensity ratio	<b>78.8</b>	93.1

The majority of our revenue is in dollars and so the reported ratio is affected by the exchange rate. On a constant currency basis (using this year's average exchange rate) our intensity ratio has reduced from 81.8 last year to 78.8 this year.

### Greener equipment

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 the Tier 4 engine requirements in the US, where we can, we purchase other more environmentally efficient equipment for a wide range of different applications.

In terms of our US rental fleet, approximately 65% of our fleet is affected by Tier 4 regulations and over 80% of it is already Tier 4. In the UK, A-Plant also continues to invest in eco-friendly equipment as our customers demand eco-friendly equipment such as power and hydraulic oil-free platforms, or the utilisation of bi-fuel on larger equipment, so the investment offers our customers a wider range of access solutions.

### GEOFF DRABBLE

Chief executive  
12 June 2017

### SUZANNE WOOD

Finance director  
12 June 2017



## THE CHALLENGE

# Keeping UK refineries operating safely around the clock, 365 days a year

Oil and petrochemical refineries need large-scale, safe, quality industrial equipment 24/7, to get safety-critical testing and maintenance projects done, often with very short or no notice. The potential consequences of error are massive and reliability of equipment supply is crucial if the work of the refinery is not to be interrupted.







Even if an emergency requires us to deliver overnight, we often mobilise and deliver within an hour or two. We know the equipment simply has to be there on time and ready for work, and we're proud of our 99.9% on-time delivery rate."

Stuart Forrest  
Service Centre Manager, Hewden Industrial

#### OUR SOLUTION

## Providing dependable on-site rental locations and equipment testing to help minimise downtime

Our Hewden Industrial business provides on-site rental locations servicing six UK refineries and petrochemical facilities. This involves supplying large amounts of industrial equipment for small and large shutdowns, and ongoing maintenance work. At Grangemouth refinery in Scotland, we're also contracted to check and certify all equipment arriving on-site from other providers, before it is allowed anywhere near operating facilities.

## Directors' report

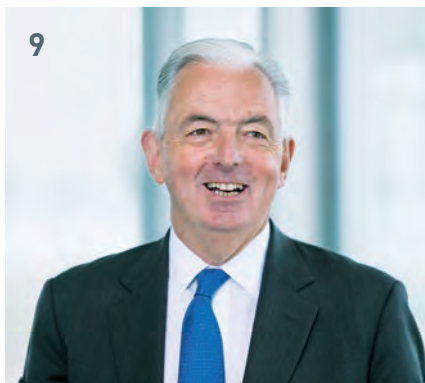
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# DIRECTORS' REPORT

## OUR BOARD OF DIRECTORS



### 1. CHRIS COLE NON-EXECUTIVE CHAIRMAN ● ▲

Chris Cole has been a director since January 2002 and was appointed as non-executive chairman in March 2007. Chris is chairman of the Nomination Committee and a member of the Finance and Administration Committee. He is non-executive chairman of WSP Global Inc., a company formed from the merger of GENIVAR Inc. and WSP Group plc. Prior to the merger he was chief executive of WSP Group plc. He is also the non-executive chairman of Tracsis plc, Redcentric plc and Applus+.

#### EXECUTIVE DIRECTORS

### 2. GEOFF DRABBLE CHIEF EXECUTIVE ● ▲

Geoff Drabble was appointed chief executive in January 2007, having served as chief executive designate from October 2006 and as a non-executive director since April 2005. Geoff was previously an executive director of The Laird Group plc where he was responsible for its Building Products division. Prior to joining The Laird Group, he held a number of senior management positions at Black & Decker. He is a non-executive director of Howden Joinery Group Plc. Geoff is chairman of the Finance and Administration Committee and a member of the Nomination Committee.

### 3. SUZANNE WOOD FINANCE DIRECTOR ▲

Suzanne Wood was appointed as a director in July 2012. Suzanne joined Sunbelt as its chief financial officer in 2003. Suzanne is a qualified accountant, having trained with Price Waterhouse. She is a US citizen and lives in Charlotte, North Carolina but also maintains a London residence.

### 4. BRENDAN HORGAN CHIEF EXECUTIVE, SUNBELT

Brendan Horgan was appointed as a director in January 2011. Brendan joined Sunbelt in 1996 and has held a number of senior management positions including chief sales officer and chief operating officer. Brendan is a US citizen and lives in Charlotte, North Carolina.

### 5. SAT DHAIWAL CHIEF EXECUTIVE, A-PLANT

Sat Dhaiwal has been chief executive of A-Plant and a director since March 2002. Sat was managing director of A-Plant East, one of A-Plant's four operational regions, from May 1998 to March 2002. Before that he was an A-Plant trading director from 1995 and, prior to 1995, managed one of A-Plant's stores.

#### NON-EXECUTIVE DIRECTORS

### 6. WAYNE EDMUNDS INDEPENDENT NON-EXECUTIVE DIRECTOR ▲ □ ●

Wayne was appointed as a non-executive director and member of the Audit Committee in February 2014 and became chairman of the Audit Committee and a member of the Remuneration and Nomination Committees with effect from 1 July 2014. Wayne is interim chief executive of BBA Aviation plc. He is also non-executive chairman of Dialight plc and a non-executive director of MSCI, Inc.. He was formerly chief executive officer of Invensys plc. Wayne is a US citizen and lives in New Jersey.

### 7. TANYA FRATTO INDEPENDENT NON-EXECUTIVE DIRECTOR □ ●

Tanya Fratto was appointed as a non-executive director and a member of the Remuneration and Nomination Committees in July 2016. She is a non-executive director of Smiths Group plc, Advanced Drainage Systems Inc., Mondi Limited and Mondi plc. Tanya was formerly president and chief executive officer of Diamond Innovations. She is a US citizen and lives in Alabama.

### 8. LUCINDA RICHES INDEPENDENT NON-EXECUTIVE DIRECTOR ▲ □ ●

Lucinda Riches was appointed as a non-executive director and a member of the Remuneration and Nomination Committees in June 2016 and chairman of the Remuneration Committee and member of the Audit Committee in September 2016. Lucinda is a non-executive director of CRH plc, Diverse Income Trust plc and ICG Enterprise Trust plc. She is also a non-executive director of The British Standards Institution and UK Financial Investments Limited and a Trustee of Sue Ryder. Lucinda was formerly global head of Equity Capital Markets and a member of the board of UBS Investment Bank.

### 9. IAN SUTCLIFFE SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR ▲ □ ●

Ian Sutcliffe was appointed as a non-executive director and member of the Audit, Nomination and Remuneration Committees in September 2010 and became the senior independent non-executive director with effect from 1 July 2014. Ian is the chief executive of Countryside Properties plc. He was formerly chief executive officer of Keepmoat and managing director, UK Property, at Segro plc. Prior to joining Segro he held senior executive positions with Taylor Wimpey plc and Royal Dutch Shell plc.

#### KEY

- ▲ Audit Committee
- Remuneration Committee
- Nomination Committee
- ▲ Finance and Administration Committee

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

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# CORPORATE GOVERNANCE REPORT

## STRONG CORPORATE GOVERNANCE

**CHRIS COLE**  
CHAIRMAN



### Dear Shareholder

This year has seen continued development and growth for Ashtead. We continue to deliver on our promises and execute our strategy of organic growth, supplemented by bolt-on acquisitions. As we grow it is crucial that our governance structures keep pace so that we can ensure 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 very highest standards of corporate governance. We recognise that good governance is essential in assisting the business deliver its strategy, generate shareholder value and safeguard shareholders' long-term interests.

As chairman, it is my role to ensure that the governance regime remains appropriately robust and that the Board operates effectively. I am pleased to introduce the corporate governance report for 2016/17. This report details the matters addressed by the Board and its committees during the year.

### Board composition and diversity

Each member of our Board must be able to demonstrate the skills, experience and knowledge required to contribute to the effectiveness of the Board. It is also important that we address issues of diversity in terms of skills, geographical experience relevant to our business and gender. I believe the Board is appropriately balanced in terms of diversity with a good mix of specialist skills and market expertise.

During the year, Lucinda Riches and Tanya Fratto were appointed as non-executive directors in June and July 2016, respectively, while Michael Burrow and Bruce Edwards retired in September 2016 after each having served for nine years as a non-executive director.

### Areas of Board focus

During the past year the Board has paid particular attention to the following important areas:

- reviewing Board priorities and activities in line with our risk and ethics management regime;
- an ongoing evaluation of the efficacy of our strategy and the degree to which it remains appropriate as markets and opportunities change;
- continuing review of the effectiveness of our capital structure as the economic environment changes;
- evaluating our robust operating model and structure to ensure they remain fit for purpose as Ashtead grows and markets change;
- assessing the effectiveness of our health and safety practices and monitoring across the Group, and identifying areas for improvement;
- ensuring our key management resource remains motivated and appropriately rewarded; and
- succession planning and ongoing senior recruitment.

### 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 2014 UK Corporate Governance Code ('the Code'), issued by the Financial Reporting Council ('FRC') and available to view at [www.frc.org.uk](http://www.frc.org.uk), and I can confirm this report provides a fair, balanced and understandable view of the Group's position and prospects.

A handwritten signature in black ink, appearing to read 'Chris Cole'. The signature is fluid and cursive.

**CHRIS COLE**  
Chairman

**LEADERSHIP**

The Company is led by an effective Board which is collectively responsible for the long-term success of the Company.

**The 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 the 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, both to safeguard shareholders' interests and to sustain the success of Ashtead over the longer term. This is achieved through a control framework which enables risk to be assessed and managed effectively. The Board sets the Group's core values and standards and ensures that these, together with the Group's obligations to its stakeholders, are understood throughout the Group.

**Board meetings**

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 one of these meetings being held in the US. Additional ad hoc meetings and calls are arranged outside the scheduled meetings to take decisions as required.

The chairman 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.

The non-executive directors (including the chairman) meet as and when required in the absence of the executive directors to discuss and appraise the performance of the Board as a whole and the performance of the executive directors. In accordance with the Code, the non-executive directors, led by the senior independent non-executive director, also meet at least annually in the absence of the chairman to discuss and appraise his performance.

There is a schedule of matters reserved to the Board for decision. Other matters are delegated to Board committees.

**MATTERS RESERVED TO THE BOARD**

The schedule of matters reserved to the Board for decision includes:

- 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 issue of shares and debentures;
- the setting of dividend policy; and
- the buyback of shares.

**ATTENDANCE AT BOARD AND COMMITTEE MEETINGS HELD BETWEEN 1 MAY 2016 AND 30 APRIL 2017**

	Board	Audit	Remuneration	Nomination
Number of meetings held	6	4	3	4
Chris Cole	6	-	-	4
Sat Dhaiwal	6	-	-	-
Geoff Drabble	6	-	-	4
Brendan Horgan	6	-	-	-
Suzanne Wood	6	-	-	-
Wayne Edmunds	6	4	3	4
Tanya Fratto*	5	-	2	2
Lucinda Riches*	5	1	3	3
Ian Sutcliffe	6	4	3	4

\* Lucinda Riches and Tanya Fratto were appointed as non-executive directors in June and July 2016 respectively.

**THE BOARD AND COMMITTEES**

**GROUP RISK COMMITTEE**  
chaired by Suzanne Wood

**FINANCE AND ADMINISTRATION COMMITTEE**  
chaired by Geoff Drabble

**BOARD**

**AUDIT COMMITTEE**

**NOMINATION COMMITTEE**

**REMUNERATION COMMITTEE**

Wayne Edmunds  
Lucinda Riches  
Ian Sutcliffe

Chris Cole  
Geoff Drabble  
Wayne Edmunds  
Tanya Fratto  
Lucinda Riches  
Ian Sutcliffe

Wayne Edmunds  
Tanya Fratto  
Lucinda Riches  
Ian Sutcliffe



# CORPORATE GOVERNANCE REPORT

## CONTINUED

### Delegated authority Board committees

The Board has standing Audit, Nomination and Remuneration Committees. The membership, roles and activities of the Audit and Nomination Committees are detailed on pages 65 to 68 and the Remuneration Committee in the separate report on pages 69 to 86.

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 and will be available for inspection at the Annual General Meeting.

### Finance and Administration Committee

The Finance and Administration Committee comprises Chris Cole, Geoff Drabble (chairman) and Suzanne Wood. 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 chairman, including, for example, the approval of material announcements to the London Stock Exchange.

### Summary of the Board's work during the year

During the year, the Board considered all matters reserved to the Board for decision, focusing in particular on the following:

- review of operations and current trading;
- approval of the quarterly financial statements;
- approval of the Annual Report and accounts;
- approval of the AGM resolutions;
- dividend policy;
- investor relations;
- treasury policy;
- increase of the senior debt facility to \$3.1bn;
- growth and acquisition strategy;
- various acquisitions;
- adoption of the 2017/18 budget;
- review of the work of the Group's Risk Committee;
- review and approval of the Group's risk register; and
- the recommendations of the Remuneration Committee.

### 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. Before appointment, non-executive directors are required to assure the Board that they can give the time commitment necessary to fulfil properly their duties, both in terms of availability to attend meetings and discuss matters on the telephone and meeting preparation time. The non-executives' letters of appointment will be available for inspection at the Annual General Meeting. The approval of the chairman is required before a non-executive can take on other non-executive director roles.

### EFFECTIVENESS

#### Composition of the Board

The Company's Board comprises the chairman, the chief executive, the finance director, the executive heads of Sunbelt and A-Plant, the senior independent non-executive director and three other independent non-executive directors. Short biographies of the directors are given on page 59.

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. Lucinda Riches was appointed as a non-executive director on 1 June 2016 and Tanya Fratto on 1 July 2016. Michael Burrow and Bruce Edwards retired from the Board with effect from 7 September 2016.

## BOARD COMPOSITION AND ROLES

Chairman	Chris Cole	Responsible for leadership of the Board, agreeing Board agendas and ensuring 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	Geoff Drabble	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	Suzanne Wood	Supports the chief executive in developing and implementing the strategy and responsible for the reporting of the financial and operational performance of the business.
Independent non-executive directors	Wayne Edmunds Tanya Fratto Lucinda Riches Ian Sutcliffe	Provide a constructive contribution to the Board by providing objective challenge and critique for executive management and insights drawn from their broad experience.
Senior independent director	Ian Sutcliffe	Available to shareholders, if they have reason for concern that contact through the normal channels of chairman or chief executive has failed to resolve.

### Appointments to the Board

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. Appointments are made on merit, based on objective criteria, including skills and experience and recognising the benefits of diversity on the Board, including gender. The Nomination Committee led the process to refresh the Board due to the retirement of Michael Burrow and Bruce Edwards. Further details are given in the Nomination Committee report on page 68.

### Commitment

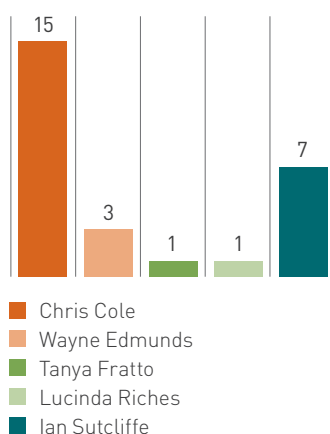
As part of the appointment process, prospective directors are required to confirm that they will be able to devote sufficient time to the Company to discharge their responsibilities effectively. Furthermore, all directors are required to inform the Company of changes in their commitments to ensure that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

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.

### Development and training

All newly-appointed directors undertake an induction to all parts of the Group's business. This includes visits to both the Sunbelt and A-Plant businesses and meetings with their management teams.

### TENURE OF NON-EXECUTIVE DIRECTORS (YEARS)



The company secretary also provides directors with an overview of their responsibilities as directors, corporate governance policies and Board policies and procedures. The chairman and chief executive assess regularly the development needs of the Board as a whole with the intention of identifying any additional training requirements.

### Information and support

The directors have access to the company secretary and are able to seek independent advice at the Company's expense.

Regular reports and briefings are provided to the Board, by the executive directors and the company secretary, 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.

### Board evaluation

The performance of the chairman, 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 shareholders.

In accordance with the Code, it is the Board's intention to have its and its committees' performance evaluation conducted by an external third party every three years. As stated in my report last year, the Board delayed its evaluation to enable the non-executive directors appointed in 2016 to be part of that process. The Board evaluation was conducted by Dr Tracy Long of Boardroom Review Limited, a company which has no connection with Ashtead. The last external evaluation of the Board in 2013 was also undertaken by Dr Tracy Long. This consistency provided useful insight to the development of the Board in the intervening period.

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.

The report of the external reviewer, which included conclusions and recommendations, was presented to a meeting of the Board in April 2017. The overall conclusion was that the Board operated in an efficient and effective manner. In addition, certain areas of focus were identified to enhance the effectiveness of the Board in the future. The report was considered and debated by the Board and various action points were agreed. Based on the report, the Board concluded that the performance of the Board and its committees had been satisfactory.

### Re-election

The directors will retire at this year's Annual General Meeting and will offer themselves for re-election in accordance with the Code.

### ACCOUNTABILITY

#### 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 89 and the auditor's report on page 95 includes a statement by Deloitte about their reporting responsibilities. As set out on page 88, 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. 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.

# CORPORATE GOVERNANCE REPORT

## CONTINUED

As described more fully on pages 34 to 36, the Group reviews and assesses the risks it faces in its business and how these risks are managed. 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 new significant risks have arisen. The Group Risk Committee reviewed the draft report for 2017, which was then presented to, discussed and endorsed by the Audit Committee on 10 May 2017 and the Group Board on 8 June 2017.

One of our principal risks is business continuity and the capacity, resilience and evolution of the Group's IT systems and networks. As part of the Board's regular updates on business risks, it received a detailed report and update on Sunbelt's IT strategy and forward priorities. This provided the Board with assurance that the principal IT and related development needs had been identified and prioritised appropriately.

The Board monitors the risk management framework and internal control systems on an ongoing basis and reviews their effectiveness formally each year. As part of its monitoring, through the Audit Committee, it received reports from the operational audit teams 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 mis-statement or loss.

### **Audit Committee and Auditor**

The Board has delegated responsibility for oversight of corporate reporting and risk management and internal control and for maintaining an appropriate relationship with the Group's auditor to the Audit Committee. The Audit Committee report on pages 65 to 67 contains full details of the role and activities of the Audit Committee.

### **REMUNERATION**

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 69 to 86 contains full details of the role and activities of the Remuneration Committee.

### **RELATIONS WITH SHAREHOLDERS** **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 meetings, presentations, conferences and ad hoc events. During the year, senior management conducted over 400 meetings and calls and attended three conferences, with investors in the UK, US and the rest of Europe.

The chairman 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.

During the year the then chairman of the Remuneration Committee met or had discussions with a number of shareholders to discuss the application of our remuneration policy and the details of the remuneration policy approved at last year's AGM.

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](http://www.ashtead-group.com). Shareholders and other interested parties can subscribe to receive these news updates by email through registering on-line on the website.

### **Constructive use of the Annual General Meeting**

We value meeting with our private shareholders at the Company's Annual General Meeting ('AGM'). The 2017 AGM will be held in London on Tuesday, 12 September 2017. Shareholders will receive an update on first quarter trading during the meeting and be invited to ask questions and meet the directors after the formal proceedings have been completed.

Resolutions at the 2017 AGM will be voted on by a show of hands. Following each vote, the results will be announced to the meeting and then announced to the London Stock Exchange and published on the Company's corporate website as soon as practicable after the meeting. Notice of the AGM will be sent to shareholders at least 20 working days before the meeting.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE REPORT

**WAYNE EDMUNDS**  
CHAIRMAN OF THE  
AUDIT COMMITTEE



I am pleased to introduce the report of the Audit Committee for 2016/17. The Committee is made up of three independent non-executive directors.

I have been chairman since July 2014 and have recent and relevant financial experience, having held a number of senior international finance roles. The members of the Committee, together with my experience, bring an appropriate balance of financial and accounting experience combined with a good understanding of Ashtead's business.

Eric Watkins is secretary to the Committee. Chris Cole, Geoff Drabble, Suzanne Wood, and the Group's deputy finance director generally attend meetings by invitation. In addition, the Group's external audit partner attends the Committee meetings.

The Committee assists the Board in discharging its responsibility for oversight and monitoring of financial reporting, risk management and internal control. As chairman 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.

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.

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.

**WAYNE EDMUNDS**  
Chairman of the Audit Committee

### Membership of the Committee

The Committee is comprised of independent non-executive directors, biographical details of which are set out on page 59. The members of the Committee are:

Wayne Edmunds Chairman  
Lucinda Riches  
Ian Sutcliffe

### Main responsibilities 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 annual and quarterly 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.

The Audit Committee's terms of reference are available on the Group's website and will be available for inspection at the AGM.



# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE REPORT

### CONTINUED

#### Summary of the Committee's work during the year

The Committee met on four 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. The Group audit partner from Deloitte (or his designate) attends all meetings of the Committee and reports formally at three of these meetings.

A similar process is undertaken at each reporting date whereby the Committee receives a paper from management which comments 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 addition, we 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 forms part of Deloitte's planning for the annual audit and their full audit plan and proposed audit fee is presented to the February meeting of the Committee. Deloitte's final report of the year is at the June committee meeting when we review the draft Annual Report. Their report contains the findings from their audit work, including comments on the draft annual report.

#### 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 auditors. The key areas reviewed in the current year are as follows.

#### Carrying value of rental fleet

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. Inter alia, 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 cyclical considerations. We are satisfied that the judgements taken are appropriate and consistent with prior years.

#### Going concern

We reviewed the appropriateness of the going concern assumption in preparing the financial statements. We 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 the scenario planning considered in assessing the Group's viability over the medium term. 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.

We are satisfied that the going concern basis of preparation continues to be appropriate in preparing the financial statements.

#### Goodwill impairment review

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 plan for Sunbelt and A-Plant. The Group classifies certain specialty businesses as separate cash-generating units ('CGUs'), due to them generating separately identifiable cash flows. We are satisfied that these CGUs remain appropriate and that there is no impairment of the carrying value of goodwill in the CGUs of Sunbelt or A-Plant. Further details are provided in Note 14 to the financial statements.

#### External audit effectiveness

The Committee conducted an assessment of the effectiveness of the audit of the 2017 financial statements, based on its own experience and drawing on input from senior corporate management and senior finance management at Sunbelt and A-Plant. 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. Overall, the Committee is satisfied that the audit process and strategy for the audit of the 2017 financial statements was effective.

#### Non-audit services and external auditor independence

Each year we review the level of fees and nature of non-audit work undertaken and we were again satisfied that it was in line with our policy and did not detract from the objectivity and independence of the external auditor. It is accepted that certain work of a non-audit nature is best undertaken by 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. Details of the fees payable to the external auditor are given in Note 4 to the financial statements.

### 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 the current lead audit partner's fourth year. 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 2017 Annual General Meeting 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 Committee has followed the legislative developments on audit tendering and rotation from the EU and Competition & Markets Authority. Under the transitional arrangements, the Group is not required to rotate its auditor until 2023. During the year we considered whether to conduct a tender for the audit in 2017 to fit in with the timing of the next rotation of the current audit partner scheduled for 2018 (2019 year end). We concluded that Deloitte continued to undertake an effective audit and we would not tender for the 2019 audit. We expect to tender the audit in 2022/23 for the 2024 audit.

### 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 periodically 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 37.

### Internal audit

The internal operational audit teams in the two businesses 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 444 audits were completed, which is consistent with our goal for each of our 800 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, we engage a major international accounting firm to perform detailed internal audits at the Group's major support centres periodically.

### Whistle-blowing

There are policies and procedures in place whereby staff may, in confidence, report concerns about possible improprieties or breaches of Company policy or procedure. These suspicions are investigated and the results of the investigation are, where possible, reported to the whistle-blower. The Committee receives a report from the company secretary on control issues arising from whistle-blowing as well as from other sources.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

**CHRIS COLE**  
CHAIRMAN OF THE  
NOMINATION COMMITTEE



The Nomination Committee comprises all of the non-executive directors, each of whom is independent, Chris Cole as chairman and the chief executive, Geoff Drabble. Eric Watkins is secretary to the Committee.

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.

### Main responsibilities 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;
- the appointment, reappointment, retirement or continuation of any director; and
- the continuation of any non-executive director who has served for a period of three years or more.

The Nomination Committee's terms of reference will be available for inspection at the Annual General Meeting.

### Summary of the Committee's work during the year

The Committee met four times during the year and the principal matters discussed were:

- succession planning;
- the retirement of Michael Burrow and Bruce Edwards;
- the appointment of Lucinda Riches and Tanya Fratto; and
- the reappointment of Wayne Edmunds and Ian Sutcliffe.

### Appointment of non-executive directors

Following a rigorous process, assisted by Korn Ferry, an independent search firm with no other connection to the Company, we were delighted to appoint Lucinda Riches and Tanya Fratto as non-executive directors of the Company in 2016. Lucinda joined the Nomination and Remuneration Committees and, following the retirement of Michael Burrow, became chair of the Remuneration Committee and joined the Audit Committee. Tanya joined the Nomination and Remuneration Committees.

### Reappointment of directors

The Committee unanimously recommends the re-election of each of the directors at the 2017 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. While we will continue to ensure that we appoint the best people for the relevant roles, we recognise the benefits of diversity and we will continue to take this into account when considering any particular appointment, although we do not set any particular targets.

By order of the Board

A handwritten signature in black ink, appearing to read 'Eric Watkins'.

**ERIC WATKINS**  
Company secretary  
12 June 2017

# REMUNERATION REPORT

**LUCINDA RICHES**  
**CHAIR OF THE**  
**REMUNERATION COMMITTEE**



## Dear Shareholder

I am pleased to be able to present the Remuneration report for the Company following my appointment as chair of the Remuneration Committee in September 2016, after the retirement of Michael Burrow. I would very much like to thank Michael on behalf of the Committee for his leadership and stewardship during the period over which Ashtead has grown from being a high-performing FTSE 250 business to the point where it is well established in the FTSE 100.

Since my appointment, my focus has been to ensure the effective implementation of the policy approved at last year's AGM in a manner that supports the business strategy and performance whilst taking into account the Board's commitment to effective shareholder engagement and governance considerations.

The Committee, through an extensive shareholder engagement process around the approval of the 2016 remuneration policy, gained a full understanding of the views of shareholders and the main shareholder representative bodies. While the policy was approved, a minority of shareholders raised some concerns. I have summarised below our responses to those concerns:

- Some shareholders were concerned that following the multi-year salary increases for the executive directors that future rises may be made in excess of those given to the general workforce.

As stated by the Committee at the time the increases were made in 2016, they were felt to be sufficient to achieve the Committee's desired position in relation to the experience, quality and market positioning of the executive directors. The Committee has therefore implemented salary increases for the executive directors of 3% in line with average increases across the business for 2017/18.

- Following the approval of the 2016 remuneration policy and the ability to increase the maximum awards under the Deferred Bonus Plan ('DBP') and Performance Share Plan ('PSP') some shareholders thought that maximum awards would be used without a corresponding increase in performance targets.

The Committee has determined not to increase the incentive opportunities for the executive directors for 2017/18.

- There was a divergence of opinion between investors on the calibration of the PSP performance targets.

I have set out the Committee's position in more detail below.

### Calibration of PSP measures

Other than the relative TSR metric, all three of the other performance metrics in the PSP (EPS, RoI and Leverage) are derived directly from the Company's KPIs. The Committee continues to believe that delivering consistent performance throughout the cycle is the most appropriate approach for rewarding executives under the PSP. As a result, the Committee has retained the same targets in respect of EPS and RoI since 2012/13.

The Committee has reviewed the relative TSR metric and determined that the FTSE 50-100 group will be retained as its comparator.

As a result of shareholder feedback that the leverage target was not sufficiently challenging, the Committee has concluded that it is more appropriate to measure leverage over the three-year award period, rather than at a point in time, and reduce the threshold to two times net debt to EBITDA for future awards. Discretion can be applied by the Committee in the event of a significant acquisition.



# REMUNERATION REPORT

## CONTINUED

### The Living Wage

I am pleased to report that with effect from 1 May 2017 all eligible A-Plant employees will be paid the Living Wage (as recommended by The Living Wage Foundation) and A-Plant became an accredited Living Wage Employer. Sunbelt employees will be paid an hourly rate in excess of the state and federal recommended wage.

### Company performance

It is pleasing to report, once again, a year of strong performance across the business with market share gains, both in the US and the UK. We are delighted to be reporting another year of record profits and record dividends. The following is a breakdown of our performance for the year.

- Group underlying pre-tax profit £793m (2016: £645m) growth of 23%
- Sunbelt operating profit \$1,088m (2016: \$1,014m) growth of 7%
- A-Plant operating profit £72m (2016: £67m) growth of 7%
- Proposed dividend of 27.5p (2016: 22.5p)

### Deferred Bonus Plan

Profit is the metric used for the DBP. The following table sets out the profit targets and their level of satisfaction for this year.

Executive	Measure	Threshold	Target	Maximum	Actual at budgeted exchange rates	Bonus entitlement earned (% of salary)
Geoff Drabble	Group pre-tax profit	£640m	£684m	£709m	£713m	200%
Suzanne Wood	Group pre-tax profit	£640m	£684m	£709m	£713m	150%
Brendan Horgan	Sunbelt operating profit	\$991m	\$1,048m	\$1,080m	\$1,088m	150%
Sat Dhaiwal	A-Plant operating profit	£62m	£67m	£70m	£72m	143%

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:\$1.45.

For the purpose of the DBP, the Company has and will continue to measure performance on a constant currency basis 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 pre-tax profit was £793m, at budgeted exchange rates this equated to £713m and it is on the latter figure upon which the executives' bonuses have been calculated.

The Remuneration Committee sets challenging targets for the DBP. The Committee was able to determine maximum bonuses for Geoff Drabble, Suzanne Wood and Brendan Horgan. In relation to Sat Dhaiwal and A-Plant, this was adjusted to 95% of maximum to reflect award levels within the business. The Committee feels that this is an appropriate level of reward for the performance of the Company and the hard work put in by its executive directors.

### 2014 PSP award vesting

The sustained long-term performance of the Company is reflected in the full vesting of the 2014 PSP award. The award will vest on expiry of the three-year vesting period in June 2017. The following table sets out the performance conditions and targets, weightings, actual performance and associated level of 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	89%	100%
EPS growth	25%	6% CAGR	12% CAGR	31%	100%
RoI	25%	10%	15%	17%	100%
Leverage	10%	Less than 2.5		1.7	100%

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

**Future years**

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
- reflecting practice in the Group's listing environment whilst being cognisant of its relatively diverse shareholder base and its main area of operation being North America.

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

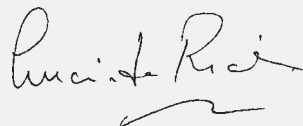
**Conclusion**

Following the extensive shareholder engagement of last year and the subsequent approval of the Remuneration Policy at the 2016 AGM the key decisions relating to the implementation of the Policy are set out below:

- the executives will receive a salary increase of 3%;
- the maximum DBP opportunity will remain at 200% of salary for 2017/18;
- the maximum PSP opportunity will remain at 200% of salary for 2017 awards;
- the PSP leverage target will reduce to two times net debt to EBITDA, averaged across the award period; and
- for the 2017 PSP awards and beyond, a two-year post vesting holding period will be operated.

At this year's AGM there will be a single resolution regarding 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 forwards. 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

# REMUNERATION REPORT

## CONTINUED

### 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 Director's 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 78 to 83.

An ordinary resolution concerning the Directors' remuneration report (excluding the remuneration policy) will be put to shareholders at the AGM on 12 September 2017.

### REMUNERATION POLICY

#### Summary of the Group's remuneration policy

	Link to strategy	Operation	Maximum potential value	Performance conditions and assessment
<b>Base salary</b>	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.	<p>Ordinarily, base salary is set annually and is payable on a monthly basis.</p> <p>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.</p> <p>The comparator group currently used to inform decisions on base salary is principally the FTSE 50–100 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.</p> <p>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.</p>	<p>The policy for salary is around the median level for comparable positions in relation to the comparator groups.</p> <p>Increases will normally be in line with both the market and typical increases for other employees across the Group.</p> <p>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.</p>	N/A
<b>Benefits</b>	To provide competitive employment benefits.	<p>The executive directors' benefits will generally include medical insurance, life cover, car allowance and travel and accommodation allowances.</p> <p>The type and level of benefits provided is reviewed periodically to ensure they remain market competitive.</p>	The maximum will be set at the cost of providing the listed benefits.	N/A

	Link to strategy	Operation	Maximum potential value	Performance conditions and assessment
<b>Pension</b>	To provide a competitive retirement benefit.	The Company makes pension contributions (or pays a salary supplement in lieu of pension contributions) of between 5% and 40% of an executive's base salary.	The maximum contribution is 40% of salary. For new directors, the maximum contribution will not exceed the median level in the FTSE 100.	N/A
<b>Deferred Bonus Plan ('DBP')</b>	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.	<p>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.</p> <p>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.</p> <p>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.</p> <p>Dividend equivalents may be provided on deferred share equivalents.</p>	<p>The maximum annual bonus opportunity under the DBP is 225% of base salary.</p> <p>Target performance earns 50% of the maximum bonus opportunity.</p>	<p>The current DBP performance conditions are:</p> <ul style="list-style-type: none"> <li>• Group underlying pre-tax profit for the Group chief executive and finance director;</li> <li>• Sunbelt underlying operating profit for the Sunbelt chief executive; and</li> <li>• A-Plant underlying operating profit for the A-Plant chief executive.</li> </ul> <p>Stretching financial targets are set by the Committee at the start of each financial year.</p> <p>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.</p> <p>The Committee has the discretion to adjust targets or weightings for any exceptional events that may occur during the year.</p> <p>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.</p>



# REMUNERATION REPORT CONTINUED

	Link to strategy	Operation	Maximum potential value	Performance conditions and assessment
<b>Performance Share Plan ('PSP')</b>	<p>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.</p> <p>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.</p>	<p>PSP awards are granted annually and vesting is dependent on the achievement of performance conditions. Performance is measured over a three-year period.</p> <p>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.</p> <p>Dividend equivalents may be provided on vested shares.</p> <p>Vested shares (net of taxes) are required to be held for a period of at least two years post vesting.</p>	<p>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.</p> <p>At target performance 32.5% of the award vests.</p> <p>In 2017/18 the award for Sat Dhaiwal and Suzanne Wood will be 150% and for Geoff Drabble and Brendan Horgan, 200% of base salary.</p>	<p>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%).</p> <p>Awards vest on a pro rata basis as follows:</p> <p><b>Total shareholder return</b> – median to upper quartile performance against an appropriate comparator group</p> <p><b>Earnings per share</b> – compound growth of 6-12% per annum</p> <p><b>Return on investment</b> – 10-15%</p> <p><b>Leverage</b> – less than, or equal to, 2 times.</p>
<b>Shareholding Policy</b>	<p>Ensures a long-term locked-in alignment between the executive directors and shareholders.</p>	<p>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.</p> <p>The Committee has discretion to increase the shareholding requirement.</p>	<p>Minimum shareholding requirement:</p> <ul style="list-style-type: none"> <li>• Chief executive – 300% of salary</li> <li>• Other executive directors – 200% of salary</li> </ul>	

#### Notes to the policy table:

- In relation to the DBP, individual awards to directors are dependent on the most relevant measure of profit for the role which they perform, and thus over which they have the most direct influence. Profit is a key component of earnings per share, one of the Company's key performance indicators and is considered the primary measure which aligns with shareholders' interests.
- In relation to the PSP:
  - Total shareholder return measures the relative return from Ashtead against an appropriate comparator group, providing alignment with shareholders' interests.
  - 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.
  - Return on investment is a key internal measure to ensure the effective use of capital in the business which is highly cyclical and with high capital requirements.
  - 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 will be 2 times, averaged across the three-year period.
- 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.

#### Share-based incentives and dilution limits

The Company observes an overall dilution limit of 10% in 10 years for all company share schemes, together with a limit of 5% in 10 years for discretionary schemes.

### Remuneration policy on new hires

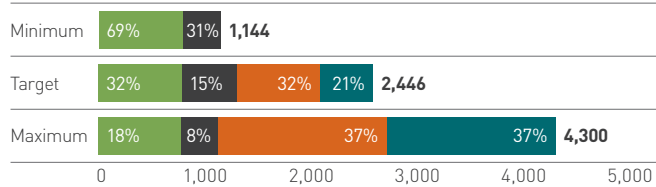
When hiring a new executive director, the Committee will seek to align the remuneration package with the remuneration policy summarised above. In addition, where the executive has to relocate, the level of relocation package will be assessed on a case by case basis. Although it is not the Committee's 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

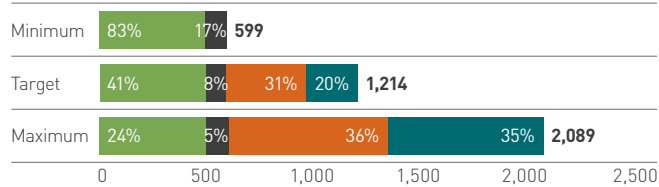
Our remuneration arrangements are designed so that a significant proportion of pay is dependent on the delivery of short and long-term objectives designed to create shareholder value.

The graphs below illustrate the potential future reward opportunity for each of the executive directors, based on the remuneration policy set out on pages 72 to 74 and the base salary at 1 May 2017 and the sterling/dollar exchange rate at 30 April 2017.

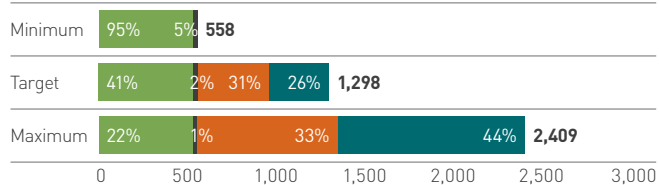
#### CHIEF EXECUTIVE – GEOFF DRABBLE (£'000)



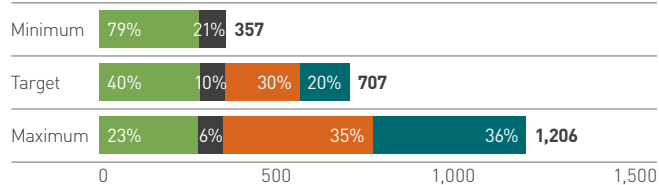
#### FINANCE DIRECTOR – SUZANNE WOOD (£'000)



#### SUNBELT CHIEF EXECUTIVE – BRENDAN HORGAN (£'000)



#### A-PLANT CHIEF EXECUTIVE – SAT DHAIWAL (£'000)



▲ Salary    ▲ Pension and benefits    ▲ DBP    ▲ PSP

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

In all scenarios, the impact of share price movements on the value of PSPs and mandatory bonus deferrals into the DBP have been excluded.

### Service contracts

The Company's policy is that executive directors have rolling contracts which are 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 overleaf.

# REMUNERATION REPORT

## CONTINUED

Element	Approach	Application of Committee discretion
<b>Base salary and benefits</b>	<p>In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation.</p> <p>In other circumstances, executive directors may be entitled to receive compensation for loss of office which will be a maximum of twelve months salary.</p> <p>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.</p>	The Committee has discretion to make a lump sum payment in lieu.
<b>Pension</b>	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.	The Committee has discretion to make a lump sum payment in lieu.
<b>DBP</b>	<p>The treatment of the DBP is governed by the rules of the plan.</p> <p><b>Cessation of employment</b></p> <p>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).</p> <p>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:</p> <ul style="list-style-type: none"> <li>(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</li> <li>(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.</li> </ul> <p>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.</p> <p><b>Change of control</b></p> <p>On a change of control, all deferred awards held in a participant's plan account shall vest immediately and the Committee shall determine:</p> <ul style="list-style-type: none"> <li>(a) that the measurement date is the date of the change of control; and</li> <li>(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.</li> </ul> <p>The Committee shall pro-rate the performance conditions to the measurement date.</p> <p>In the event of an internal reorganisation, the Committee may determine that awards are replaced by equivalent awards.</p>	<p>The Committee has the discretion to determine that an executive director is a good leaver.</p> <p>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.</p> <p>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.</p> <p>The Committee retains discretion to pro-rate the contribution for that plan year.</p> <p>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.</p>

Element	Approach	Application of Committee discretion
PSP	<p>The treatment of awards is governed by the rules of the plan.</p> <p><b>Cessation of employment</b>            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).</p> <p>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.</p> <p>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.</p> <p><b>Change of control</b>            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.</p>	<p>The Committee has the discretion to determine that an executive director is a good leaver.</p> <p>The Committee retains discretion to set the vesting date.</p> <p>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.</p> <p>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.</p>

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 cost to the Company whilst seeking to address the circumstances at the time.

#### Consideration of conditions elsewhere in the Company

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 Company. The Committee does not consider it appropriate to consult with employees when determining executive remuneration.



# REMUNERATION REPORT

## ANNUAL REPORT ON 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 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 chairman and the chairs of the Audit and Remuneration Committees and the senior independent director.

### Consideration of shareholder views

The Committee believes that it is important to maintain an open and transparent dialogue with shareholders on remuneration matters.

Looking forward, the Committee will continue to engage with shareholders regarding material changes to the application of the approved policy or proposed changes to the policy.

### 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 2017 and the prior year is shown in the table below:

	Salary		Benefits <sup>(i)</sup>		Pension <sup>(ii)</sup>		DBP <sup>(iii)</sup>		PSP <sup>(iv)</sup>		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2016 £'000	
Sat Dhaiwal	275	250	17	17	55	50	570	208	476	296	1,393	821
Geoff Drabble	766	667	40	199	306	267	2,486	1,113	1,908	1,075	5,506	3,321
Brendan Horgan	513	384	18	19	12	12	1,188	473	800	458	2,531	1,346
Suzanne Wood	482	377	86	81	16	16	1,134	465	786	434	2,504	1,373
	2,036	1,678	161	316	389	345	5,378	2,259	3,970	2,263	11,934	6,861

(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.

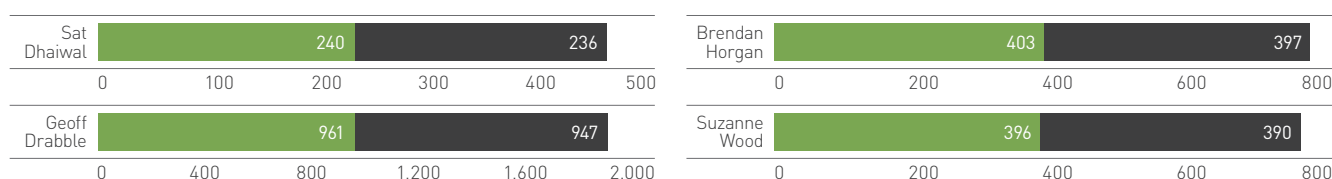
(ii) The amounts for Sat Dhaiwal and Geoff Drabble represent cash payments in lieu of pension contributions at 20% and 40% of salary, respectively. The amounts included for Brendan Horgan and Suzanne Wood represent the co-match under Sunbelt's 401K defined contribution pension plan and 409A deferred compensation plan.

(iii) DBP includes the cash received by each director from the DBP for 2016/17 performance as explained on pages 79 and 80. This includes all this year's bonus and the brought forward deferred share equivalents for each director.

(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 2014 award will vest in full on 19 June 2017 and has been valued at an average market value of 1.662p for the three months ended 30 April 2017, plus 51.75p per share in lieu of dividends paid during the vesting period. The PSP value for 2016 has been adjusted both to reflect the actual market value on the date of vesting of 1.068p and the actual proportion (97.5%) vesting.

The value attributable to the 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:

£'000



■ Performance element based on share price at date of grant

■ Share price appreciation element since grant date plus cash in lieu of dividends

#### Directors' pension benefits (audited information)

The Company makes a payment of 20% of Sat Dhaiwal's base salary in lieu of providing him with any ongoing pension arrangements.

The Company makes a payment of 40% of Geoff Drabble's base salary in lieu of providing him with any pension arrangements. This was agreed prior to his joining the Company in 2006 and reflected the fact that he was leaving a generous defined benefit arrangement at his previous employer.

Brendan Horgan and Suzanne Wood are members of the Sunbelt 401K defined contribution pension plan and the 409A deferred compensation plan. They are 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 effected either by a company payment into the 401K plan or an enhanced deferral into the 409A plan and was \$17,500 for Brendan Horgan and \$24,000 for Suzanne Wood in 2016/17.

At 30 April 2017, the total amount available to Brendan Horgan but deferred under the Sunbelt deferred compensation plan was \$515,495 or £398,435. This includes an allocated investment gain of \$58,655 or £45,315 (2016: loss of £17,039). The amount available to Suzanne Wood under the same plan was \$445,470 or £344,311. This includes an allocated investment gain of \$66,893 or £51,679 (2016: loss of £9,489).

#### The Deferred Bonus Plan (audited information)

The performance targets for the DBP for the year were as follows:

	Group pre-tax profit*	Sunbelt operating profit*	A-Plant operating profit*
Forfeiture	£530m	\$850m	£50m
Entry	£640m	\$1,000m	£62m
Threshold	£664m	\$1,030m	£64m
Target	£684m	\$1,055m	£67m
Maximum	£709m	\$1,080m	£70m
<b>Actual – reported</b>	<b>£793m</b>	<b>\$1,088m</b>	<b>£72m</b>
<b>Actual – budget exchange rates</b>	<b>£713m</b>	<b>n/a</b>	<b>n/a</b>

\* Underlying profit.

The performance targets for Geoff Drabble and Suzanne Wood for the year to 30 April 2017 related directly to the underlying pre-tax profits of Ashtead Group. The targets for Brendan Horgan and Sat Dhaiwal, related to the underlying operating profit of Sunbelt and A-Plant respectively. For the year to 30 April 2017, the underlying pre-tax profit for Ashtead Group was £713m at budget exchange rates and underlying operating profit for Sunbelt and A-Plant was \$1,088m and £72m respectively. As a result, Geoff Drabble, Suzanne Wood and Brendan Horgan earned 100% of their maximum bonus entitlements. In relation to Sat Dhaiwal, his award was adjusted to 95% of maximum to reflect award levels in the A-Plant business. These are equivalent to 200% of base salary for Geoff Drabble and 150% of base salary for Suzanne Wood and Brendan Horgan and 143% of base salary for Sat Dhaiwal.

# REMUNERATION REPORT

## CONTINUED

The three-year period of the DBP ended on 30 April 2017. Under the terms of the DBP, there was no forfeiture of brought forward share equivalent awards and accordingly, the brought forward share equivalent awards and bonus for 2016/17 were released in full to the executives on 12 June 2017 when the share price was 1,641p. The share equivalent awards are summarised below:

	Number of share equivalent awards			Value of released awards £'000
	Brought forward	Released	Carried forward	
Sat Dhaiwal	10,884	(10,884)	–	179
Geoff Drabble	58,148	(58,148)	–	954
Brendan Horgan	25,908	(25,908)	–	425
Suzanne Wood	25,454	(25,454)	–	418

### 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:

Award date	Financial year	Performance criteria (measured over three years)				Status
		TSR (40%)	EPS (25%)	RoI (25%)	Leverage (10%)	
1/7/13	2013/14	From date of grant versus FTSE 250 Index (25% of this element of the award will vest at median; 100% at upper quartile)	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	97.5% vested in July 2016
19/6/14	2014/15	From 1 May of the year of grant versus the FTSE 350 companies ranked 75th to 125th by market capitalisation	As above	As above	As above	Will vest in full in June 2017
6/7/15	2015/16	As above*	As above	As above	As above	<b>2015 award</b> TSR performance is in the upper quartile, EPS growth of 29%, RoI of 17% and leverage of 1.7 times
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	As above	As above	As above	<b>2016 award</b> TSR performance is in the upper quartile, EPS growth of 23%, RoI of 17% and leverage of 1.7 times

\* In respect of the 2015/16 award the TSR comparator is FTSE 350 companies ranked 75th to 125th by market capitalisation for awards up to 150% of base salary. The comparator group for the element of that award above 150% of base salary is FTSE 350 companies ranked 50th to 100th by market capitalisation.

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

97.5% of the 2013 PSP award vested on 4 July 2016 with EPS compound growth over the three years of 39% exceeding the upper target of 12% and the Company's TSR performance ranked it 50th within the FTSE 250 (excluding investment trusts). RoI was 19% and leverage 1.7 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. Historically TSR performance has been measured relative to the FTSE 250 (excluding investment trusts) rather than a specific comparator group of companies because there are few direct comparators to the Company listed in London and because the Company was a FTSE 250 company. For 2014/15 and 2015/16, the comparator group is comprised of those companies in the FTSE 350 ranked 75th to 125th by market capitalisation (excluding investment trusts) and thereafter those companies ranked 50th to 100th. The Company's TSR performance relative to the FTSE 250 (excluding investment trusts) and FTSE 100 (excluding investment trusts) is shown on page 83.

#### Single total figure of remuneration (audited information)

##### Non-executive directors

	Fees	
	2017 £'000	2016 £'000
Chris Cole	200	200
Michael Burrow	21	60
Wayne Edmunds	60	60
Bruce Edwards	18	50
Tanya Fratto	42	-
Lucinda Riches	52	-
Ian Sutcliffe	60	60
	<b>453</b>	<b>430</b>

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 2016 and 30 April 2017 (audited information)

##### Performance Share Plan

The awards made on 4 July 2016 are subject to the rules of the PSP and the achievement of stretching performance conditions, which are set out on page 74, over a three-year period to 30 April 2019. The awards are summarised below:

	Number	Face value of award £'000	Face value of award as % of base salary	% of award vesting for target performance
Sat Dhaiwal	38,624	413	150%	32.5%
Geoff Drabble	143,446	1,532	200%	32.5%
Brendan Horgan	93,584	999	200%	32.5%
Suzanne Wood	65,960	704	150%	32.5%

Note

PSP awards were allocated on 4 July 2016 using the closing mid-market share price (1,068p) of Ashtead Group plc on that day.



# REMUNERATION REPORT

## CONTINUED

### Payments to past directors (audited information)

No payments were made to past directors of the Company during the year.

### 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 2016 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 2017	Shares held outright at 30 April 2017 as a % of salary	Outstanding unvested scheme interests subject to performance measures	Total of all share interests and outstanding scheme interests at 30 April 2017
Sat Dhaiwal	150,000	880%	102,098	252,098
Geoff Drabble	1,334,159	2,811%	381,592	1,715,751
Brendan Horgan	493,874	1,553%	210,704	704,578
Suzanne Wood	208,805	699%	163,661	372,466

#### Notes

- Interests in shares held at 30 April 2017 include shares held by connected persons.
- All outstanding scheme interests take the form of rights to receive shares.
- In calculating shareholding as a percentage of salary, the average share price for the three months ended 30 April 2017, the sterling/dollar exchange rate at 30 April 2017, and the directors' salaries at 1 May 2017, have been used.

### Performance Share Plan awards

Awards made under the PSP, and those which remain outstanding at 30 April 2017, are shown in the table below:

	Date of grant	Held at 30 April 2016	Exercised during the year	Lapsed during the year	Granted during the year	Held at 30 April 2017
Sat Dhaiwal	01.07.13	33,108	(32,280)	(828)	-	-
	19.06.14	27,794	-	-	-	27,794
	06.07.15	35,680	-	-	-	35,680
	04.07.16	-	-	-	38,624	38,624
Geoff Drabble	01.07.13	120,429	(117,418)	(3,011)	-	-
	19.06.14	111,314	-	-	-	111,314
	06.07.15	126,832	-	-	-	126,832
	04.07.16	-	-	-	143,446	143,446
Brendan Horgan	01.07.13	51,300	(50,018)	(1,282)	-	-
	19.06.14	46,683	-	-	-	46,683
	06.07.15	70,437	-	-	-	70,437
	04.07.16	-	-	-	93,584	93,584
Suzanne Wood	01.07.13	48,631	(47,415)	(1,216)	-	-
	19.06.14	45,834	-	-	-	45,834
	06.07.15	51,867	-	-	-	51,867
	04.07.16	-	-	-	65,960	65,960

97.5% of the 2013/14 award vested with the remaining awards lapsing.

The performance conditions attaching to the PSP awards are detailed on page 80. The market price of the awards granted during the year was 1,068p on the date of grant.

### Statement of non-executive directors' shareholding (audited information)

As at 30 April 2017, the non-executive directors' interests in ordinary shares of the Company were:

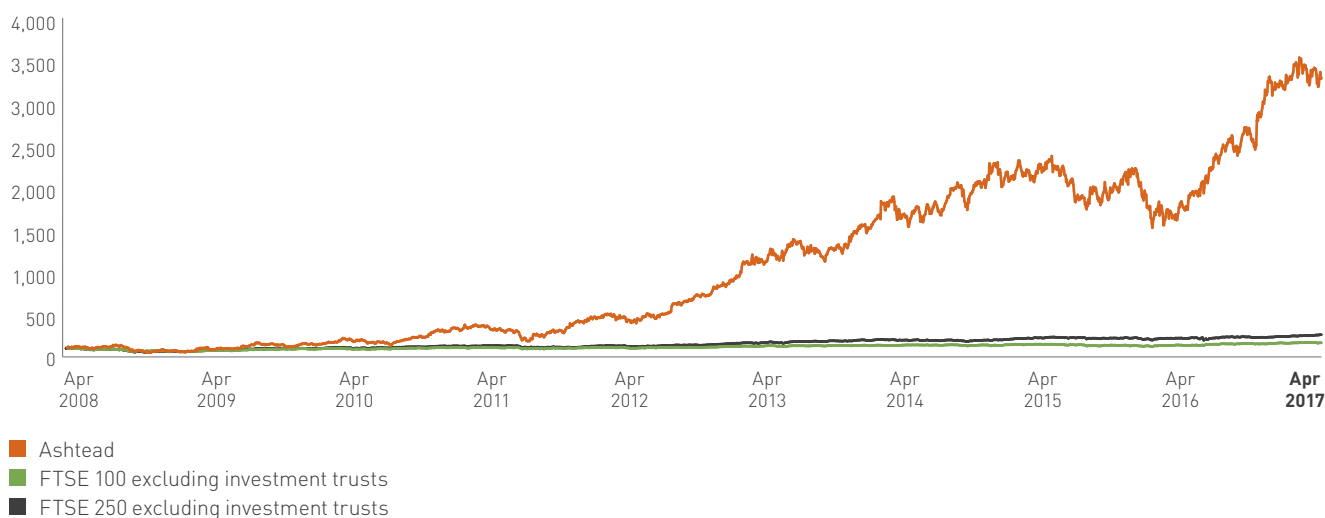
	Number
Chris Cole	110,082
Wayne Edmunds	7,000
Tanya Fratto	-
Lucinda Riches	5,000
Ian Sutcliffe	24,500

The market price of the Company's shares at the end of the financial year was 1,631p and the highest and lowest closing prices during the financial year were 1,751p and 873p respectively.

### Performance graph and table

Over the last eight years the Company has generated an 18-fold total shareholder return ('TSR') which is shown below. The following graph compares the Company's TSR performance with the FTSE 100 Index and 250 Index (excluding investment trusts) over the eight years ended 30 April 2017. The FTSE 250 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.

### TOTAL SHAREHOLDER RETURN (£)



# REMUNERATION REPORT

## CONTINUED

During the same period, the total remuneration received by the Group chief executive has increased as a result of the strong performance of the business:

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total remuneration (£'000)	826	1,037	2,166	4,613	6,510	7,272	4,165	3,321	5,506
Underlying profit before tax (£m)	87	5	31	131	245	362	490	645	793
Proportion of maximum annual bonus potential awarded	25%	75%	100%	100%	100%	100%	100%	98%	100%
Proportion of PSP vesting	0%	0%	50%	100%	100%	100%	100%	97.5%	100%

### Percentage change in remuneration of chief executive

The table below summarises the percentage change in remuneration of Geoff Drabble, the chief executive, between the years ended 30 April 2016 and 30 April 2017 and the average percentage change over the same period for the Group as a whole. Geoff Drabble participates in the DBP and his annual bonus reflects payments under this plan. Details are provided on pages 79 and 80.

	Salary	Benefits	Annual bonus
Chief executive percentage change	15%	(80)%	123%
Group percentage change	5%	0%	7%

### Relative importance of spend on pay

The following table shows the year-on-year change in underlying profit before tax, dividends and aggregate staff costs (see Note 4: Operating costs and other income to the consolidated financial statements).

	2015/16 £m	2016/17 £m	Change %
Underlying profit before tax	645	793	23%
Dividend declared	113	137	22%
Aggregate staff costs	594	737	24%

## Remuneration for the year commencing 1 May 2017

### Basic salary

Salary with effect from 1 May 2017:

Sat Dhaiwal	£283,250
Geoff Drabble	£789,000
Brendan Horgan	\$684,000
Suzanne Wood	\$642,750

### 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

Geoff Drabble, Suzanne Wood, Brendan Horgan and Sat Dhaiwal participate in the DBP. The maximum annual bonus opportunities as a percentage of salary are 200% for Geoff Drabble and 150% for Suzanne Wood, Brendan Horgan and Sat Dhaiwal. The performance measures are set out on page 73. These performance measures should be viewed in conjunction with the wider performance targets set for the 2017/18 PSP awards as detailed on page 74.

### Performance Share Plan

A 2017 PSP award will be made as follows:

	Value of 2017 award £'000
Sat Dhaiwal	425
Geoff Drabble	1,578
Brendan Horgan	1,057
Suzanne Wood	745

These awards are based on the directors' salaries as at 1 May 2017 and, where appropriate, the sterling/dollar exchange rate at 30 April 2017.

### Non-executive fees

Fees for non-executive directors with effect from 1 May 2017 are:

Chris Cole	£200,000
Wayne Edmunds	£60,000
Tanya Fratto	£50,000
Lucinda Riches	£60,000
Ian Sutcliffe	£60,000

The Company intends to review fees for the Chairman during the year.

## Consideration by the directors of matters relating to directors' remuneration

The Company has established a Remuneration Committee ('the Committee') in accordance with the recommendations of the UK Corporate Governance Code. The Committee is comprised of independent non-executive directors. The members of the Committee are as follows:

Lucinda Riches	Chair
Wayne Edmunds	
Tanya Fratto	
Ian Sutcliffe	

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, Geoff Drabble, 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 chairman, Chris Cole. Eric Watkins acts as secretary to the Committee. Under Lucinda Riches' direction, the company secretary and Geoff Drabble 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 PricewaterhouseCoopers LLP ('PwC') to provide independent advice on various matters it considered. PwC was appointed in 2011 following an interview process by the Committee. PwC 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 PwC for its professional advice on remuneration during the year were £122,000. PwC also provided specific tax services to the Company during the year. The Committee is satisfied that neither the nature nor scope of these non-remuneration services by PwC impaired its independence as advisers to the Committee.



# REMUNERATION REPORT CONTINUED

## 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 annual bonus and DBP objectives;
- setting DBP performance targets for the year;
- assessment of performance for the vesting of the 2013 PSP awards;
- grant of 2016 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 2016.

## Shareholder voting

An ordinary resolution concerning the Directors' remuneration report will be put to shareholders at the forthcoming Annual General Meeting.

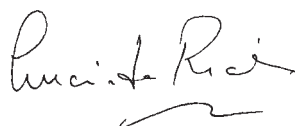
Ashtead is committed to ongoing shareholder dialogue and considers carefully voting outcomes. The Committee gained a full understanding of the views of shareholders and the main shareholder representative bodies through an extensive consultation process around the approval of the 2016 remuneration policy. 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 2016:

	For	Against
2015/16 directors' annual report on remuneration	74%	26%

3,185,397 votes were withheld (c.0.6% of share capital) out of total votes cast of 368,539,004 in relation to the Directors' remuneration report.

This report has been approved by the Remuneration Committee and is signed on its behalf by:



## LUCINDA RICHES

Chair, Remuneration Committee  
12 June 2017

# OTHER STATUTORY DISCLOSURES

Pages 58 to 89 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:

	<b>Location</b>
Acquisitions	Financial statements – Note 26
Audit Committee report	Page 65
Board and committee membership	Page 59
Corporate governance report	Page 60
Directors' biographies	Page 59
Directors' responsibility statement	Page 89
Financial risk management	Financial statements – Note 24
Future developments	Page 24
Greenhouse gas emissions	Page 55
Nomination Committee report	Page 68
Other statutory disclosures	Page 87
Our people	Page 50
Pension schemes	Financial statements – Note 23
Post balance sheet events	Financial statements – Note 29
Results and dividends	Page 38
Share capital	Financial statements – Note 20
Social responsibility	Page 46

## SHARE CAPITAL AND MAJOR SHAREHOLDERS

Details of the Company's share capital are given in Note 20 to the financial statements.

### Acquisition of own shares

At the 2016 annual general meeting, the Company was authorised to make market purchases of up to 75.3m ordinary shares. The Company acquired 4.1m shares under this authority during the year. This authority will expire on the earlier of the next annual general meeting of the Company or 7 March 2018.

A special resolution will be proposed at this year's annual general meeting to authorise the Company to make market purchases of up to 74.8m 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 Uncertified 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 9 June 2017 (the latest practicable date before approval of the financial statements) are as follows:

	%
Standard Life	5
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 Directors' remuneration report on pages 69 to 86. Details of all shares subject to option are given in the notes to the financial statements on page 116.

## 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 \$900m senior secured notes, due 2022 and \$500m senior secured notes, due 2024, 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.

## OTHER STATUTORY DISCLOSURES CONTINUED

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 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 58 and 59. The policies related to their appointment and replacement are detailed on pages 62 and 63. 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 2017 was 69 days (30 April 2016: 59 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 £785,535 in total (2016: £225,193). No political donations were made in either year.

### POST BALANCE SHEET EVENTS

Details of post balance sheet events are included in Note 29 of the consolidated financial statements.

### 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.

### 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 Annual General Meeting.

### ANNUAL GENERAL MEETING

The Annual General Meeting ('AGM') will be held at 2.30pm on Tuesday, 12 September 2017 at Wax Chandlers Hall, 6 Gresham Street, London EC2V 7AD. 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.

By order of the Board



### ERIC WATKINS

Company secretary  
12 June 2017

# 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; and
- 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 performance, business model and strategy.

By order of the Board



**ERIC WATKINS**

Company secretary  
12 June 2017



## THE CHALLENGE

# Keeping the capital moving for the inauguration of the 45th president

The inauguration of the US president in front of the Capitol Building in Washington DC is a massive event with huge logistical and security demands. Weeks of planning, set up and multiple types of equipment are required to accommodate inaugural balls, lavish parties and the main ceremony to commemorate this historic event.







We've been involved in presidential inaugurations before and it's always a huge privilege. We're fortunate to have such a strong and experienced team to support us."

Walter Dunston and Monty Montgomery  
PCM 179 and PCM 243, Sunbelt

#### OUR SOLUTION

Over 100 pieces of equipment in 28 truckloads delivered to help manage the flow

Sunbelt stepped up to the challenge, overcoming physical and logistical barriers, long hours and heavy security checkpoints, as well as scheduling deliveries with heavy pedestrian traffic and road blocks. We delivered heat, power generation, ground protection, light towers, forklifts and more, in total more than 100 pieces of equipment in 28 truckloads calling on the support of multiple stores in the Capitol district.

## Financial statements

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHTEAD GROUP PLC

## OPINION ON FINANCIAL STATEMENTS OF ASHTEAD GROUP PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 April 2017 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 ('IFRS') as adopted by the European Union;
- 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.

The financial statements that we have audited 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 Statements; and
- the related notes 1 to 32.

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.

## SUMMARY OF OUR AUDIT APPROACH

<b>Key risks</b>	The key risks that we identified in the current year were: <ul style="list-style-type: none"><li>• Carrying value of rental fleet;</li><li>• Acquisition accounting; and</li><li>• Revenue recognition</li></ul>
<b>Materiality</b>	The materiality that we used in the current year was £31 million, which equates to 4.1% of profit before tax.
<b>Scoping</b>	Consistent with previous years, our audit scope comprised three (2016: three) principal locations: the Head office in London, A-Plant in Warrington, and Sunbelt in Charlotte, US.

## SEPARATE OPINION IN RELATION TO IFRS AS ISSUED BY THE IASB

As explained in Note 2 to the Group financial statements, in addition to complying with its legal obligation to apply IFRS as adopted by the European Union, the Group has also applied IFRS as issued by the International Accounting Standards Board ('IASB').

In our opinion the Group financial statements comply with IFRS as issued by the IASB.

## GOING CONCERN AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern

basis of accounting contained on page 88 to the financial statements and the directors' statement on the longer-term viability of the Group on page 37.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 63 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 34 to 36 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement on page 88 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 ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the directors' explanation on page 34 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 confirm that we have nothing material to add or draw attention to in respect of these matters. We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## INDEPENDENCE

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

## OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Acquisition accounting has been included as a new significant risk in the current year following the increase in the aggregate size and number of acquisitions completed in the year.

Our prior year audit report also included a further risk relating to the carrying value of goodwill which is not included in our report in the current year. Due to the continued growth and performance of the business, this risk has been re-assessed and it is not considered to be one which has had the greatest effect on our audit strategy, the allocation of resources in the audit or direction of the efforts of the engagement team.

### Carrying value of rental fleet

<b>Risk description</b>	As set out in Note 13, the Group holds £5.8bn (2016: £4.5bn) of rental fleet at cost (£4.1bn net book value (2016: £3.2bn net book value)).  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 these assets is misstated.
<b>How the scope of our audit responded to the risk</b>	We tested the design, implementation and operating effectiveness of the key controls over the impairment review at Sunbelt, which accounts for £3.5bn of the net book value of the rental fleet. We also evaluated the design and implementation of key controls at A-Plant.  We considered management's analysis of impairment indicators, understood and challenged the key judgements and sensitivities and the impact that each of these have in determining whether an impairment exists.  In particular, we focused our testing on returns on investment by asset class, slow moving assets, profit and losses on asset disposals, depreciation rates and residual values. We also assessed whether the accounting for the rental fleet and associated disclosures were in line with the Group's accounting policies.
<b>Key observations</b>	Based on our detailed audit work performed, we are satisfied that the carrying value of the rental fleet is not materially misstated.

### Acquisition accounting

<b>Risk description</b>	As set out within Note 26, the Group made 15 bolt-on acquisitions during the year. Total consideration for these acquisition was £428m, which includes the acquisition of I & L Rentals on 2 May 2016, Arsenal on 17 January 2017 and Pride on 31 March 2017 for consideration of £46m, £31m and £231m respectively.  Accounting for business combinations requires the use of significant management judgement regarding the fair valuation of the asset and liabilities acquired in accordance with IFRS 3 'Business Combinations'. Specifically, the identification and valuation of acquired intangible assets involves a number of judgements including the discount rate and growth rate assumptions and is considered a key risk.
<b>How the scope of our audit responded to the risk</b>	We have evaluated management's determination of the fair value of net assets acquired, focusing on the valuation of intangible assets recognised at the acquisition date for the Pride, I & L Rentals and Arsenal acquisitions.  We evaluated the design and implementation of controls over accounting for acquisitions.  Specifically, we have challenged management's methodology and assumptions underlying the valuation of acquired intangible assets by: <ul style="list-style-type: none"> <li>Engaging our internal valuation specialists to evaluate and challenge the valuation methodology used by management and the Group's external valuation expert. This included assessing the intangible assets identified and the basis for their valuation.</li> <li>Involving our internal valuation specialists to evaluate the key assumptions used in the valuation model and benchmark the discount rate and growth rate used to external market data.</li> </ul> We have evaluated the appropriateness of the related disclosures in Note 26 to the financial statements.
<b>Key observations</b>	Based on our detailed audit work performed, we consider management's key judgements and assumptions used in the valuation of net assets, specifically the valuation of acquired intangible assets, at the acquisition dates fall within an acceptable range.

### Revenue recognition

<b>Risk description</b>	Given the high volume, low value nature of transactions in Ashtead's revenue we identified a risk of misstatement arising from management intervention, either in the form of top-side journals or through manipulation of 'billed not earned' and 'earned not billed' judgements.
<b>How the scope of our audit responded to the risk</b>	We evaluated the design and implementation and tested the operating effectiveness of controls over the revenue cycle.  We have focused our substantive testing on the 'billed not earned' and 'earned not billed' calculations. In doing so, we have reviewed management's methodology, traced the information in the reports back to invoices, payments and credit notes as a substantive sample, performed analytical procedures over movements in the period and assessed the historical accuracy of management's estimations using a 'look-back' approach.  We have also used data analytics tools to identify and profile all manual top-side adjustments impacting the revenue balance.
<b>Key observations</b>	Based on our procedures performed, we did not identify any material exceptions or evidence of management bias or manipulation of the revenue account and the amounts recorded are in line with the Group's accounting policies as set out on Note 2.

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.



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSTEAD GROUP PLC CONTINUED

## OUR APPLICATION OF 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:

<b>Group materiality</b>	£31.0 million (2016: £24.0 million), which equates to 4.1% (2016: 3.9%) of profit before tax.
<b>Basis and rationale for determining materiality</b>	In determining our materiality, we have used a three-year average profit before tax to reflect the cyclical nature of the industry in which the Group operates. We have then applied a benchmark of 5% to the three-year average profit before tax to arrive at materiality. This approach is consistent with the approach adopted in the prior year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1m (2016: £1m), 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

Our Group audit was scoped by obtaining and 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 the work performed by component teams in the UK and US, and the Group audit team in London.

The Group comprises three (2015: three) principal locations: the Head Office in London; A-Plant in Warrington, UK; and Sunbelt in Charlotte, US. The Group audit team performed a full scope audit of the Head Office component and local component audit teams performed full-scope audits at both A-Plant and Sunbelt, consistent with the prior year approach.

These three locations represent 99% (2016: 99%) of the Group's revenue, 100% (2016: 100%) of the Group's profit before tax and 97% (2016: 96%) 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 misstatement 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 £3.8 million to £27.9 million (2016: £3.4 million to £21.6 million).

The US component team also performed a desktop review of the operations in Canada.

Members of the Group audit team (including the lead audit partner) have made site visits to component audit teams during the financial year and after the year end to provide sufficient and appropriate oversight of work performed. At the Group level we also tested the consolidation process.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and 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 Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

### Corporate governance statement

Under the Listing Rules we are also required to review part of the Corporate governance statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

### Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### EDWARD HANSON (SENIOR STATUTORY AUDITOR)

for and on behalf of Deloitte LLP  
Statutory Auditor  
London, UK  
12 June 2017

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2017

	Notes	2017			2016		
		Before amortisation £m	Amortisation £m	Total £m	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m
<b>Revenue</b>							
Rental revenue		<b>2,901.2</b>	-	<b>2,901.2</b>	2,260.3	-	2,260.3
Sale of new equipment, merchandise and consumables		<b>123.5</b>	-	<b>123.5</b>	94.2	-	94.2
Sale of used rental equipment		<b>162.1</b>	-	<b>162.1</b>	191.2	-	191.2
		<b>3,186.8</b>	-	<b>3,186.8</b>	2,545.7	-	2,545.7
<b>Operating costs</b>							
Staff costs	4	<b>(736.6)</b>	-	<b>(736.6)</b>	(593.6)	-	(593.6)
Used rental equipment sold	4	<b>(126.5)</b>	-	<b>(126.5)</b>	(143.8)	-	(143.8)
Other operating costs	4	<b>(819.3)</b>	-	<b>(819.3)</b>	(630.7)	5.8	(624.9)
		<b>(1,682.4)</b>	-	<b>(1,682.4)</b>	(1,368.1)	5.8	(1,362.3)
<b>EBITDA*</b>		<b>1,504.4</b>	-	<b>1,504.4</b>	1,177.6	5.8	1,183.4
Depreciation	4	<b>(606.8)</b>	-	<b>(606.8)</b>	(449.4)	-	(449.4)
Amortisation of intangibles	4, 5	-	<b>(28.3)</b>	<b>(28.3)</b>	-	(22.4)	(22.4)
Impairment of intangibles	4, 5	-	-	-	-	(12.0)	(12.0)
<b>Operating profit</b>	3, 4	<b>897.6</b>	<b>(28.3)</b>	<b>869.3</b>	728.2	(28.6)	699.6
Investment income	6	<b>0.1</b>	-	<b>0.1</b>	0.1	-	0.1
Interest expense	6	<b>(104.3)</b>	-	<b>(104.3)</b>	(83.0)	-	(83.0)
<b>Profit on ordinary activities before taxation</b>		<b>793.4</b>	<b>(28.3)</b>	<b>765.1</b>	645.3	(28.6)	616.7
Taxation	7, 19	<b>(273.2)</b>	<b>9.1</b>	<b>(264.1)</b>	(218.7)	9.6	(209.1)
<b>Profit attributable to equity holders of the Company</b>		<b>520.2</b>	<b>(19.2)</b>	<b>501.0</b>	426.6	(19.0)	407.6
Basic earnings per share	9	<b>104.3p</b>	<b>(3.8p)</b>	<b>100.5p</b>	85.1p	(3.8p)	81.3p
Diluted earnings per share	9	<b>103.8p</b>	<b>(3.8p)</b>	<b>100.0p</b>	84.7p	(3.7p)	81.0p

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

All revenue and profit for the year is generated from continuing operations.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2017

	Note	2017 £m	2016 £m
Profit attributable to equity holders of the Company for the financial year		<b>501.0</b>	407.6
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of the defined benefit pension plan	23	<b>(5.7)</b>	(0.6)
Tax on defined benefit pension plan		<b>1.0</b>	0.1
		<b>(4.7)</b>	(0.5)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences		<b>152.6</b>	49.7
<b>Total comprehensive income for the year</b>		<b>648.9</b>	456.8

**CONSOLIDATED BALANCE SHEET**

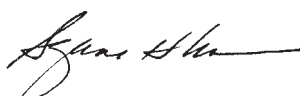
AT 30 APRIL 2017

	Notes	2017 £m	2016 £m
<b>Current assets</b>			
Inventories	10	44.2	41.3
Trade and other receivables	11	591.9	455.7
Current tax asset		6.9	7.5
Cash and cash equivalents	12	6.3	13.0
		<b>649.3</b>	517.5
<b>Non-current assets</b>			
Property, plant and equipment			
– rental equipment	13	4,092.8	3,246.9
– other assets	13	411.8	341.9
		<b>4,504.6</b>	3,588.8
Goodwill	14	797.7	556.7
Other intangible assets	14	174.4	83.8
Net defined benefit pension plan asset	23	–	2.2
		<b>5,476.7</b>	4,231.5
<b>Total assets</b>		<b>6,126.0</b>	4,749.0
<b>Current liabilities</b>			
Trade and other payables	15	537.0	480.5
Current tax liability		6.5	3.6
Debt due within one year	16	2.6	2.5
Provisions	18	28.6	28.9
		<b>574.7</b>	515.5
<b>Non-current liabilities</b>			
Debt due after more than one year	16	2,531.4	2,012.2
Provisions	18	19.1	17.6
Deferred tax liabilities	19	1,027.0	723.3
Net defined benefit pension plan liability	23	3.7	–
		<b>3,581.2</b>	2,753.1
<b>Total liabilities</b>		<b>4,155.9</b>	3,268.6
<b>Equity</b>			
Share capital	20	49.9	55.3
Share premium account		3.6	3.6
Capital redemption reserve		6.3	0.9
Own shares held by the Company	20	–	(33.1)
Own shares held through the ESOT	20	(16.7)	(16.2)
Cumulative foreign exchange translation differences		241.0	88.4
Retained reserves		1,686.0	1,381.5
<b>Equity attributable to equity holders of the Company</b>		<b>1,970.1</b>	1,480.4
<b>Total liabilities and equity</b>		<b>6,126.0</b>	4,749.0

These financial statements were approved by the Board on 12 June 2017.



**GEOFF DRABBLE**  
Chief executive



**SUZANNE WOOD**  
Finance director



# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2017

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non- distributable 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 2015	55.3	3.6	0.9	90.7	(33.1)	(15.5)	38.7	970.9	1,111.5
Profit for the year	-	-	-	-	-	-	-	407.6	407.6
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	49.7	-	49.7
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	-	(0.6)	(0.6)
Tax on defined benefit pension plan	-	-	-	-	-	-	-	0.1	0.1
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	49.7	407.1	456.8
Dividends paid	-	-	-	-	-	-	-	(81.5)	(81.5)
Own shares purchased by the ESOT	-	-	-	-	-	(12.0)	-	-	(12.0)
Share-based payments	-	-	-	-	-	11.3	-	(6.6)	4.7
Tax on share-based payments	-	-	-	-	-	-	-	0.9	0.9
Transfer of non-distributable reserve	-	-	-	(90.7)	-	-	-	90.7	-
At 30 April 2016	55.3	3.6	0.9	-	(33.1)	(16.2)	88.4	1,381.5	1,480.4
Profit for the year	-	-	-	-	-	-	-	501.0	501.0
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	152.6	-	152.6
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	-	(5.7)	(5.7)
Tax on defined benefit pension plan	-	-	-	-	-	-	-	1.0	1.0
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	152.6	496.3	648.9
Dividends paid	-	-	-	-	-	-	-	(116.1)	(116.1)
Own shares purchased by the ESOT	-	-	-	-	-	(7.2)	-	-	(7.2)
Own shares purchased by the Company	-	-	-	-	(48.0)	-	-	-	(48.0)
Share-based payments	-	-	-	-	-	6.7	-	(1.0)	5.7
Tax on share-based payments	-	-	-	-	-	-	-	6.4	6.4
Cancellation of own shares	(5.4)	-	5.4	-	81.1	-	-	(81.1)	-
<b>At 30 April 2017</b>	<b>49.9</b>	<b>3.6</b>	<b>6.3</b>	<b>-</b>	<b>-</b>	<b>(16.7)</b>	<b>241.0</b>	<b>1,686.0</b>	<b>1,970.1</b>

Further information is included in Note 20.

## CONSOLIDATED CASH FLOW STATEMENT

### FOR THE YEAR ENDED 30 APRIL 2017

	Notes	2017 £m	2016 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations before exceptional items and changes in rental equipment	25(a)	1,444.2	1,070.6
Payments for rental property, plant and equipment		(1,021.8)	(1,124.7)
Proceeds from disposal of rental property, plant and equipment		153.4	172.1
Cash generated from operations		575.8	118.0
Financing costs paid (net)		(101.5)	(79.4)
Tax paid (net)		(49.5)	(5.3)
<b>Net cash generated from operating activities</b>		<b>424.8</b>	<b>33.3</b>
<b>Cash flows from investing activities</b>			
Acquisition of businesses	25(c)	(421.1)	(68.4)
Payments for non-rental property, plant and equipment		(101.7)	(109.5)
Proceeds from disposal of non-rental property, plant and equipment		7.4	8.2
Payments for purchase of intangible assets		(11.1)	-
<b>Net cash used in investing activities</b>		<b>(526.5)</b>	<b>(169.7)</b>
<b>Cash flows from financing activities</b>			
Drawdown of loans		866.8	570.2
Redemption of loans		(599.0)	(336.5)
Capital element of finance lease payments		(2.0)	(1.5)
Dividends paid		(116.1)	(81.5)
Purchase of own shares by the ESOT		(7.2)	(12.0)
Purchase of own shares by the Company		(48.0)	-
<b>Net cash from financing activities</b>		<b>94.5</b>	<b>138.7</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(7.2)</b>	<b>2.3</b>
Opening cash and cash equivalents		13.0	10.5
Effect of exchange rate difference		0.5	0.2
<b>Closing cash and cash equivalents</b>		<b>6.3</b>	<b>13.0</b>
<b>Reconciliation of net cash flows to net debt</b>			
	Note	2017 £m	2016 £m
Decrease/(increase) in cash in the period		7.2	(2.3)
Increase in debt through cash flow		265.8	232.2
Change in net debt from cash flows		273.0	229.9
Debt acquired		21.3	0.3
Exchange differences		228.4	81.7
Non-cash movements:			
- deferred costs of debt raising		2.2	1.8
- capital element of new finance leases		1.1	0.9
Increase in net debt in the period		526.0	314.6
Net debt at 1 May		2,001.7	1,687.1
Net debt at 30 April	25(b)	2,527.7	2,001.7

# 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. Foreign operations are included in accordance with the policies set out in Note 2.

## 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. A summary of the more important accounting policies is set out below.

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. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from these estimates. A more detailed discussion of the principal accounting policies and management estimates and assumptions is included in the Financial review on pages 43 to 45 and forms part of these financial statements.

### Changes in accounting policies and disclosures

#### New and amended standards adopted by the Group

There are no new IFRS or 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 2016 and not early adopted

IFRS 15, Revenue from Contracts with Customers, replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has finalised its assessment of this standard and has concluded that it will not have a material impact on the Group's revenue recognition policy in future periods.

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

expense will be recognised on the lease liability and depreciation on the right-of-use asset. The standard replaces IAS 17, Leases, and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted in conjunction with IFRS 15. While the Group has not finalised its assessment of IFRS 16, the standard is expected to result in a significant increase in the Group's assets and liabilities, as a result of the recognition of the Group's property leases, and will result in increased depreciation and interest expense and lower operating costs.

The European Union has not yet adopted IFRS 16.

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

### Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and all its subsidiaries for the year to 30 April each year. The results of businesses acquired or sold during the year are fully consolidated from or to the date on which control is passed to the Group. Control is achieved when the Group has the power to govern the financial and operating policies of an entity so as to obtain the benefits from its activities.

### 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

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 are:

	2017	2016
Average for year	1.29	1.50
Year end	1.29	1.47

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 represents the total amount receivable for the provision of goods and services including the sale of used rental plant and equipment to customers net of returns and VAT/sales tax. Rental revenue, including loss damage waiver and environmental fees, is recognised on a straight-line basis over the period of the rental contract. Because 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 equipment delivery and collection is recognised when delivery or collection has occurred and is reported as rental revenue.

Revenue from the sale of rental equipment, new equipment, parts and supplies, retail merchandise and fuel is recognised at the time of delivery to, or collection by, the customer and when all 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.

## Investment income and interest expense

Investment income comprises interest receivable on funds invested and the net interest on the net defined benefit asset.

Interest expense comprises interest payable on borrowings, amortisation of deferred debt raising costs, and the unwind of the discount on the self-insurance and contingent consideration provisions.

## 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.

## 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

### Owned assets

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.

### Leased assets

Finance leases are those leases which transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are capitalised within property, plant and equipment at the fair value of the leased assets at inception of the lease and depreciated in accordance with the Group's depreciation policy. Outstanding finance lease obligations are included within debt. The finance element of the agreements is charged to the income statement on a systematic basis over the term of the lease.

All other leases are operating leases, the rentals on which are charged to the income statement on a straight-line basis over the lease term.

## Depreciation

Leasehold properties are depreciated on a straight-line basis over the life of each lease. Other fixed assets, including those held under finance leases, 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. Residual values and estimated useful economic lives are reassessed annually, recognising the cyclical nature of the business. The depreciation rates in use are as follows:

	Per annum
Freehold property	2%
Motor vehicles	7% to 25%
Rental equipment	5% 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%.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 2 ACCOUNTING POLICIES CONTINUED

#### 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%

##### 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 investment 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.

#### 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.

### 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 allowances for estimated irrecoverable amounts.

##### 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 face value.

##### Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct transaction costs. 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.

##### 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.

### Secured notes

The Group's secured notes contain early repayment options, which constitute embedded derivatives in accordance with IAS 39, Financial Instruments: Recognition and Measurement. 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 IAS 39. 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 secured 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.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 3 SEGMENTAL ANALYSIS

#### Business segments

The Group operates one class of business: rental of equipment. Operationally, the Group is split into two business units, Sunbelt and A-Plant which report separately to, and are managed by, the chief executive and align with the geographies in which they operate, being North America and the United Kingdom, respectively. These business units are the basis on which the Group reports its segment information. 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.

Year ended 30 April 2017	Sunbelt £m	A-Plant £m	Corporate items £m	Group £m
Revenue	2,768.6	418.2	–	3,186.8
Operating costs	(1,402.2)	(265.4)	(14.8)	(1,682.4)
EBITDA	1,366.4	152.8	(14.8)	1,504.4
Depreciation	(525.5)	(81.2)	(0.1)	(606.8)
Segment result	840.9	71.6	(14.9)	897.6
Amortisation				(28.3)
Net financing costs				(104.2)
Profit before taxation				765.1
Taxation				(264.1)
Profit attributable to equity shareholders				501.0
Segment assets	5,337.1	775.3	0.4	6,112.8
Cash				6.3
Taxation assets				6.9
Total assets				6,126.0
Segment liabilities	462.4	100.8	8.6	571.8
Corporate borrowings and accrued interest				2,550.6
Taxation liabilities				1,033.5
Total liabilities				4,155.9
Other non-cash expenditure – share-based payments	3.0	0.8	1.9	5.7
Capital expenditure	1,268.9	266.2	–	1,535.1

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 2016	Sunbelt £m	A-Plant £m	Corporate items £m	Group £m
Revenue	2,180.9	364.8	–	2,545.7
Operating costs	(1,126.8)	(227.8)	(13.5)	(1,368.1)
EBITDA	1,054.1	137.0	(13.5)	1,177.6
Depreciation	(379.4)	(70.0)	–	(449.4)
Segment result	674.7	67.0	(13.5)	728.2
Exceptional items				(6.2)
Amortisation				(22.4)
Net financing costs				(82.9)
Profit before taxation				616.7
Taxation				(209.1)
Profit attributable to equity shareholders				407.6
Segment assets	4,117.9	610.1	0.5	4,728.5
Cash				13.0
Taxation assets				7.5
Total assets				4,749.0
Segment liabilities	423.7	82.6	5.7	512.0
Corporate borrowings and accrued interest				2,029.7
Taxation liabilities				726.9
Total liabilities				3,268.6
Other non-cash expenditure – share-based payments	2.4	0.7	1.6	4.7
Capital expenditure	1,129.7	177.6	–	1,307.3

Sunbelt includes Sunbelt Rentals of Canada Inc..

### Segmental analysis by geography

The Group's operations are located in North America and the United Kingdom. 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 and intangible assets but exclude inventory and receivables.

	Revenue		Segment assets		Capital expenditure	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
North America	<b>2,768.6</b>	2,180.9	<b>4,805.4</b>	3,712.0	<b>1,268.9</b>	1,129.7
United Kingdom	<b>418.2</b>	364.8	<b>671.3</b>	517.3	<b>266.2</b>	177.6
	<b>3,186.8</b>	2,545.7	<b>5,476.7</b>	4,229.3	<b>1,535.1</b>	1,307.3



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 4 OPERATING COSTS AND OTHER INCOME

	2017			2016		
	Before amortisation £m	Amortisation £m	Total £m	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m
Staff costs:						
Salaries	671.5	-	671.5	541.4	-	541.4
Social security costs	52.5	-	52.5	42.3	-	42.3
Other pension costs	12.6	-	12.6	9.9	-	9.9
	<b>736.6</b>	-	<b>736.6</b>	593.6	-	593.6
Used rental equipment sold	126.5	-	126.5	143.8	-	143.8
Other operating costs:						
Vehicle costs	168.0	-	168.0	131.5	-	131.5
Spares, consumables and external repairs	147.7	-	147.7	118.6	-	118.6
Facility costs	94.4	-	94.4	73.9	-	73.9
Other external charges	409.2	-	409.2	306.7	(5.8)	300.9
	<b>819.3</b>	-	<b>819.3</b>	630.7	(5.8)	624.9
Depreciation and amortisation:						
Depreciation of owned assets	605.6	-	605.6	447.8	-	447.8
Depreciation of leased assets	1.2	-	1.2	1.6	-	1.6
Amortisation of intangibles	-	28.3	28.3	-	22.4	22.4
Impairment of intangibles	-	-	-	-	12.0	12.0
	<b>606.8</b>	<b>28.3</b>	<b>635.1</b>	449.4	34.4	483.8
	<b>2,289.2</b>	<b>28.3</b>	<b>2,317.5</b>	1,817.5	28.6	1,846.1

Proceeds from the disposal of non-rental property, plant and equipment amounted to £7m (2016: £7m), resulting in a profit on disposal of £nil (2016: £1m) which is included in other external charges.

The costs shown in the above table include:

	2017 £m	2016 £m
Operating lease rentals payable:		
- Plant and equipment	1.8	1.9
- Property	67.9	52.9
Cost of inventories recognised as expense	240.4	228.2
Bad debt expense	25.7	17.9
Net foreign exchange gains	-	(0.1)

Staff costs include directors' remuneration. Directors' remuneration comprised:

	2017 £'000	2016 £'000
Salaries and short-term employee benefits	8,389	5,000
Post-employment benefits	28	28
National insurance and social security	668	414
Share-based payments	2,095	1,698
	<b>11,180</b>	<b>7,140</b>

Remuneration payable to the Company's auditor, Deloitte LLP, in the year is given below:

	2017 £'000	2016 £'000
Fees payable to Deloitte UK and its associates for the audit of the Group's annual accounts	757	681
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	48	40
– audit-related assurance services	72	68
	877	789

Fees paid for audit-related assurance services relate to the half-year and quarterly reviews of the Group's interim financial statements.

## 5 EXCEPTIONAL ITEMS AND AMORTISATION

	2017 £m	2016 £m
Impairment of intangibles	–	12.0
Release of provision for contingent consideration	–	(5.8)
Amortisation of intangibles	28.3	22.4
	28.3	28.6
Taxation	(9.1)	(9.6)
	19.2	19.0

The £12m impairment of intangibles in the prior year relates to acquired customer lists within our Oil & Gas business. The impairment reflected our expectation that revenue from these customers would be much lower than anticipated when the businesses were acquired due to the fall in the oil price and its impact on the oil and gas industry. The £6m release of contingent consideration in the prior year relates to a provision for contingent consideration on acquisitions, which was payable depending on revenue targets. These were expected to be achieved in full. Where this was no longer the case, the excess provision was released. Both these exceptional items were non-cash.

## 6 NET FINANCING COSTS

	2017 £m	2016 £m
<b>Investment income</b>		
Net interest on the net defined benefit asset	(0.1)	(0.1)
<b>Interest expense</b>		
Bank interest payable	34.1	22.1
Interest payable on second priority senior secured notes	66.9	57.7
Interest payable on finance leases	0.3	0.3
Non-cash unwind of discount on provisions	0.9	1.1
Amortisation of deferred debt raising costs	2.1	1.8
Total interest expense	104.3	83.0
Net financing costs	104.2	82.9

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 7 TAXATION

The tax charge for the year has been computed using a tax rate of 39% in North America (2016: 39%) and 20% in the UK (2016: 20%). The blended rate for the Group as a whole is 35% (2016: 34%). 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.

	2017 £m	2016 £m
<b>Analysis of the tax charge</b>		
Current tax		
– current tax on income for the year	<b>54.5</b>	22.2
– adjustments to prior year	<b>(0.1)</b>	0.6
	<b>54.4</b>	22.8
Deferred tax		
– origination and reversal of temporary differences	<b>206.8</b>	186.0
– adjustments to prior year	<b>2.9</b>	0.3
	<b>209.7</b>	186.3
<b>Total taxation charge</b>	<b>264.1</b>	209.1
Comprising:		
– UK tax	<b>14.4</b>	16.5
– North American tax	<b>249.7</b>	192.6
	<b>264.1</b>	209.1

The tax charge comprises a charge of £273.2m (2016: £218.7m) relating to tax on the profit before exceptional items and amortisation, together with a credit of £9.1m (2016: £9.6m) on exceptional items and amortisation.

The tax charge for the year is higher than the standard rate of corporation tax in the UK of 20%. The differences are explained below:

	2017 £m	2016 £m
Profit on ordinary activities before tax	<b>765.1</b>	616.7
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 20% (2016: 20%)	<b>153.0</b>	123.3
Effects of:		
Use of foreign tax rates on overseas income	<b>118.3</b>	93.0
Other	<b>(10.0)</b>	(8.1)
Adjustments to prior years	<b>2.8</b>	0.9
<b>Total taxation charge</b>	<b>264.1</b>	209.1

## 8 DIVIDENDS

	2017 £m	2016 £m
Final dividend paid on 9 September 2016 of 18.5p (2016: 12.25p) per 10p ordinary share	<b>92.4</b>	61.4
Interim dividend paid on 8 February 2017 of 4.75p (2016: 4.0p) per 10p ordinary share	<b>23.7</b>	20.1
	<b>116.1</b>	81.5

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2017 of 22.75p (2016: 18.5p) per share which will absorb £113m of shareholders' funds, based on the 497m shares qualifying for dividend at 12 June 2017. Subject to approval by shareholders, it will be paid on 15 September 2017 to shareholders who are on the register of members on 18 August 2017.

## 9 EARNINGS PER SHARE

	2017			2016		
	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	<b>501.0</b>	<b>498.7</b>	<b>100.5</b>	407.6	501.5	81.3
Share options and share plan awards	-	<b>2.2</b>	<b>(0.5)</b>	-	1.9	(0.3)
Diluted earnings per share	<b>501.0</b>	<b>500.9</b>	<b>100.0</b>	407.6	503.4	81.0

Underlying earnings per share may be reconciled to basic earnings per share as follows:

	2017 pence	2016 pence
Basic earnings per share	<b>100.5</b>	81.3
Exceptional items and amortisation of intangibles	<b>5.7</b>	5.7
Tax on exceptional items and amortisation	<b>(1.9)</b>	(1.9)
Underlying earnings per share	<b>104.3</b>	85.1

## 10 INVENTORIES

	2017 £m	2016 £m
Raw materials, consumables and spares	<b>12.6</b>	8.5
Goods for resale	<b>31.6</b>	32.8
	<b>44.2</b>	41.3



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 11 TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Trade receivables	544.5	421.5
Less: allowance for bad and doubtful receivables	(38.4)	(26.9)
	506.1	394.6
Other receivables		
– Accrued revenue	36.2	26.7
– Other	49.6	34.4
	591.9	455.7

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 A-Plant are payable within 30-60 days whereas, invoices issued by Sunbelt are payable on receipt. Therefore, on this basis, a significant proportion of the Group's trade receivables are contractually past due. The allowance for bad and doubtful receivables is calculated based on prior experience reflecting the level of uncollected receivables over the last year within each business. Accordingly, this cannot be attributed to specific receivables so the aged analysis of trade receivables, including those past due, is shown gross of the allowance for bad and doubtful receivables.

On this basis, the ageing analysis of trade receivables, including those past due, is as follows:

	Current £m	Trade receivables past due by:				Total £m
		Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	
Carrying value at 30 April 2017	50.1	247.8	130.6	50.9	65.1	544.5
Carrying value at 30 April 2016	41.7	208.0	94.3	31.3	46.2	421.5

In practice, Sunbelt operates on 30-day terms and considers 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:

	Current £m	Trade receivables past due by:				Total £m
		Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	
Carrying value at 30 April 2017	269.2	151.1	55.0	27.5	41.7	544.5
Carrying value at 30 April 2016	218.5	117.8	35.4	20.5	29.3	421.5

#### b) Movement in the allowance account for bad and doubtful receivables

	2017 £m	2016 £m
At 1 May	26.9	21.3
Amounts written off or recovered during the year	(17.0)	(13.4)
Increase in allowance recognised in income statement	25.7	17.9
Currency movements	2.8	1.1
At 30 April	38.4	26.9

## 12 CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Cash and cash equivalents	<b>6.3</b>	13.0

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		Total £m
				Owned £m	Held under finance leases £m	
<b>Cost or valuation</b>						
<b>At 1 May 2015</b>	114.4	3,638.2	70.5	279.0	6.2	4,108.3
Exchange differences	3.7	152.1	2.7	11.9	-	170.4
Acquisitions	-	52.6	0.1	4.9	-	57.6
Reclassifications	-	(3.3)	4.5	(1.2)	-	-
Additions	19.1	1,126.6	19.7	73.1	1.5	1,240.0
Disposals	(1.3)	(485.4)	(3.9)	(24.1)	(0.3)	(515.0)
<b>At 30 April 2016</b>	135.9	4,480.8	93.6	343.6	7.4	5,061.3
Exchange differences	12.3	503.0	9.4	37.8	-	562.5
Acquisitions	-	247.4	0.9	16.0	-	264.3
Reclassifications	1.8	(2.0)	2.4	(2.2)	-	-
Additions	22.0	983.2	20.7	58.9	0.8	1,085.6
Disposals	(1.4)	(366.0)	(4.3)	(21.3)	(0.6)	(393.6)
<b>At 30 April 2017</b>	<b>170.6</b>	<b>5,846.4</b>	<b>122.7</b>	<b>432.8</b>	<b>7.6</b>	<b>6,580.1</b>
<b>Depreciation</b>						
<b>At 1 May 2015</b>	45.5	1,104.0	52.6	93.5	1.6	1,297.2
Exchange differences	1.6	52.7	2.1	4.8	-	61.2
Acquisitions	-	25.2	-	3.0	-	28.2
Reclassifications	-	(1.6)	2.5	(0.9)	-	-
Charge for the period	7.3	393.7	9.1	37.9	1.4	449.4
Disposals	(1.1)	(340.1)	(3.6)	(18.6)	(0.1)	(363.5)
<b>At 30 April 2016</b>	53.3	1,233.9	62.7	119.7	2.9	1,472.5
Exchange differences	4.6	132.2	6.2	12.8	-	155.8
Acquisitions	-	93.8	0.6	7.8	-	102.2
Reclassifications	0.2	(0.2)	1.2	(1.2)	-	-
Charge for the period	9.9	534.8	13.4	47.7	1.0	606.8
Disposals	(1.4)	(240.9)	(3.7)	(15.4)	(0.4)	(261.8)
<b>At 30 April 2017</b>	<b>66.6</b>	<b>1,753.6</b>	<b>80.4</b>	<b>171.4</b>	<b>3.5</b>	<b>2,075.5</b>
<b>Net book value</b>						
<b>At 30 April 2017</b>	<b>104.0</b>	<b>4,092.8</b>	<b>42.3</b>	<b>261.4</b>	<b>4.1</b>	<b>4,504.6</b>
At 30 April 2016	82.6	3,246.9	30.9	223.9	4.5	3,588.8

£1m of rebuild costs were capitalised in the year (2016: £1m). Rental equipment includes leased assets with a net book value of £0.1m (2016: £0.3m).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 14 INTANGIBLE ASSETS INCLUDING GOODWILL

	Goodwill £m	Other intangible assets				Total £m	Total £m
		Brand names £m	Customer lists £m	Contract related £m	Total £m		
<b>Cost or valuation</b>							
<b>At 1 May 2015</b>	516.2	16.6	105.0	29.8	151.4	667.6	
Recognised on acquisition	16.4	–	19.9	1.6	21.5	37.9	
Exchange differences	24.1	0.7	5.3	1.0	7.0	31.1	
<b>At 30 April 2016</b>	556.7	17.3	130.2	32.4	179.9	736.6	
Recognised on acquisition	175.5	0.7	96.3	3.8	100.8	276.3	
Additions	–	–	0.3	10.8	11.1	11.1	
Exchange differences	65.5	2.0	11.9	3.0	16.9	82.4	
<b>At 30 April 2017</b>	<b>797.7</b>	<b>20.0</b>	<b>238.7</b>	<b>50.0</b>	<b>308.7</b>	<b>1,106.4</b>	
<b>Amortisation</b>							
<b>At 1 May 2015</b>	–	14.1	24.9	19.7	58.7	58.7	
Charge for the period	–	0.6	18.3	3.5	22.4	22.4	
Impairment loss	–	–	12.0	–	12.0	12.0	
Exchange differences	–	0.6	1.7	0.7	3.0	3.0	
<b>At 30 April 2016</b>	–	15.3	56.9	23.9	96.1	96.1	
Charge for the period	–	0.7	22.7	4.9	28.3	28.3	
Exchange differences	–	1.9	6.1	1.9	9.9	9.9	
<b>At 30 April 2017</b>	<b>–</b>	<b>17.9</b>	<b>85.7</b>	<b>30.7</b>	<b>134.3</b>	<b>134.3</b>	
<b>Net book value</b>							
<b>At 30 April 2017</b>	<b>797.7</b>	<b>2.1</b>	<b>153.0</b>	<b>19.3</b>	<b>174.4</b>	<b>972.1</b>	
At 30 April 2016	556.7	2.0	73.3	8.5	83.8	640.5	

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ('CGUs') that benefit from that business combination. Goodwill allocated to each of the Group's CGUs is as follows:

	2017 £m	2016 £m
<b>Sunbelt</b>		
Pump & Power	36.2	25.2
Climate Control	21.2	17.5
Scaffolding	14.1	12.4
General equipment and related businesses	656.4	457.8
	<b>727.9</b>	512.9
<b>A-Plant</b>		
Live (temporary roadways and barriers)	25.7	14.3
PSS (trenchless technology and fusion)	5.4	5.4
Lifting	3.7	3.7
General equipment and related businesses	35.0	20.4
	<b>69.8</b>	43.8
<b>Total goodwill</b>	<b>797.7</b>	556.7

For the purposes of determining potential goodwill impairment, recoverable amounts are determined from value in use calculations using cash flow projections based on financial plans covering a three-year period which were adopted and approved by the Board in April 2017. 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 2017/18 budget, a further two years from the Group's business plan and a further seven years' cash flows. The valuation uses an annual growth rate to determine the cash flows beyond the three-year business plan 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% and 9% for the US and UK 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 both Sunbelt and A-Plant. Based on this sensitivity analysis, no reasonably possible change in the assumptions resulted in the recoverable amount of the CGUs identified above being reduced to their carrying value.

## Sunbelt

### General equipment and related businesses

Revenue for the general equipment business is linked primarily to US non-residential construction spend, which is expected to continue to grow during the business plan period. These businesses have grown more rapidly than both non-residential construction and the broader rental market and this outperformance is expected to continue over the business plan period, although not necessarily to the same degree as over recent years. EBITDA margins are forecast to increase slightly from current levels as the businesses benefit from improving market conditions and increased scale.

### Pump & Power, Climate Control and Scaffolding

Revenue for the Pump & Power, Climate Control and Scaffolding businesses is in part linked to the level of non-residential construction and also general levels of economic activity. EBITDA margins are forecast to increase slightly from current levels as the businesses benefit from increased scale.

## A-Plant

Revenue for each of the A-Plant CGUs is linked primarily to UK non-residential construction spend. This market is expected to grow during the business plan period. A-Plant has grown over the last three years more quickly than non-residential construction and we expect it to perform ahead of the market over the business plan period. The Live business is also reliant on the events market which is expected to grow at a similar rate to construction markets. EBITDA margins are forecast to increase slightly from current levels as the businesses benefit from improving market conditions and increased scale.

## 15 TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
Trade payables	222.8	232.0
Other taxes and social security	42.3	32.7
Accruals and deferred income	271.9	215.8
	<b>537.0</b>	480.5

Trade and other payables include amounts relating to the purchase of fixed assets of £237m (2016: £247m). The fair values of trade and other payables are not materially different from the carrying values presented.

## 16 BORROWINGS

	2017 £m	2016 £m
<b>Current</b>		
Finance lease obligations	2.6	2.5
<b>Non-current</b>		
First priority senior secured bank debt	1,449.2	1,055.2
Finance lease obligations	1.8	2.9
6.5% second priority senior secured notes, due 2022	699.4	618.2
5.625% second priority senior secured notes, due 2024	381.0	335.9
	<b>2,531.4</b>	2,012.2

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 16 BORROWINGS CONTINUED

#### First priority senior secured credit facility

At 30 April 2017, \$3.1bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility') until July 2020 while the amount utilised was \$1,950m (including letters of credit totalling \$41m). The ABL facility is secured by a first priority interest in substantially all of the Group's assets. Pricing for the revolving credit facility is based on average availability according to a grid which varies from LIBOR plus 125bp to LIBOR plus 175bp. At 30 April 2017 the Group's borrowing rate was LIBOR plus 150bp.

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 \$310m. At 30 April 2017 availability under the bank facility was \$1,305m (\$1,126m at 30 April 2016), with an additional \$1,565m of suppressed availability meaning that the covenant was not measured at 30 April 2017 and is unlikely to be measured in forthcoming quarters. Accordingly, the accounts are prepared on a going concern basis.

#### 6.5% second priority senior secured notes due 2022 having a nominal value of \$900m and 5.625% second priority senior secured notes due 2024 having a nominal value of \$500m

At 30 April 2017 the Group, through its wholly owned subsidiary Ashtead Capital, Inc., had outstanding two series of second priority senior secured notes with nominal values of \$900m and \$500m. The \$900m of notes carry an interest rate of 6.5% and are due on 15 July 2022 while the \$500m of notes carry an interest rate of 5.625% and are due on 1 October 2024. The notes are secured by second priority interests over substantially the same assets as the ABL facility and are also guaranteed by Ashtead Group plc.

Under the terms of the 6.5% and 5.625% notes the Group is, subject to important exceptions, restricted in its ability to incur additional debt, pay dividends, make investments, sell assets, enter into sale and leaseback transactions and merge or consolidate with another company. Financial performance covenants under the 6.5% and 5.625% senior secured note issue are only measured at the time new debt is raised.

The effective rates of interest at the balance sheet date were as follows:

		2017	2016
First priority senior secured bank debt	– revolving advances in dollars	<b>2.42%</b>	1.97%
Secured notes	– \$900m nominal value	<b>6.5%</b>	6.5%
	– \$500m nominal value	<b>5.625%</b>	5.625%
Finance leases		<b>6.3%</b>	6.6%

### 17 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2017 £m	2016 £m	2017 £m	2016 £m
Amounts payable under finance leases:				
Less than one year	<b>2.9</b>	2.8	<b>2.6</b>	2.5
Later than one year but not more than five	<b>2.0</b>	3.2	<b>1.8</b>	2.9
	<b>4.9</b>	6.0	<b>4.4</b>	5.4
Future finance charges	<b>(0.5)</b>	(0.6)		
	<b>4.4</b>	5.4		

The Group's obligations under finance leases are secured by the lessor's rights over the leased assets disclosed in Note 13.



## 18 PROVISIONS

	Self-insurance £m	Vacant property £m	Contingent consideration £m	Total £m
At 1 May 2016	21.4	4.3	20.8	46.5
Acquired businesses	–	–	2.8	2.8
Exchange differences	2.6	0.4	1.7	4.7
Utilised	(26.1)	(1.2)	(7.6)	(34.9)
Charged in the year	27.5	0.2	–	27.7
Amortisation of discount	0.4	–	0.5	0.9
<b>At 30 April 2017</b>	<b>25.8</b>	<b>3.7</b>	<b>18.2</b>	<b>47.7</b>

	2017 £m	2016 £m
Included in current liabilities	<b>28.6</b>	28.9
Included in non-current liabilities	<b>19.1</b>	17.6
	<b>47.7</b>	46.5

Self-insurance provisions relate to the discounted estimated liability in respect of claims excesses 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 self-insured retained risk based on historical claims experience. The amount charged in the year is stated net of a £2.1m (2016: £1.4m) adjustment to reduce the provision held at 1 May 2016.

The majority of the provision for vacant property costs is expected to be utilised over a period of up to three years. The provision for contingent consideration relates to recent acquisitions and is expected to be paid out over the next two years.

## 19 DEFERRED TAX

### Deferred tax assets

	Tax losses £m	Other temporary differences £m	Total £m
At 1 May 2016	–	–	–
Offset against deferred tax liability at 1 May 2016	75.2	66.1	141.3
Gross deferred tax assets at 1 May 2016	75.2	66.1	141.3
Exchange differences	9.7	3.9	13.6
(Charge)/credit to income statement	(78.2)	16.0	(62.2)
Credit/(charge) to equity	–	4.0	4.0
Less offset against deferred tax liability	(6.7)	(90.0)	(96.7)
<b>At 30 April 2017</b>	<b>–</b>	<b>–</b>	<b>–</b>

### Deferred tax liabilities

	Accelerated tax depreciation £m	Other temporary differences £m	Total £m
Net deferred tax liability at 1 May 2016	720.4	2.9	723.3
Deferred tax assets offset at 1 May 2016	141.3	–	141.3
Gross deferred tax liability at 1 May 2016	861.7	2.9	864.6
Exchange differences	111.9	(5.0)	106.9
Charge/(credit) to income statement	136.6	10.9	147.5
Acquisitions	2.0	2.7	4.7
	1,112.2	11.5	1,123.7
Less offset of deferred tax assets			
– benefit of tax losses			(6.7)
– other temporary differences			(90.0)
<b>At 30 April 2017</b>			<b>1,027.0</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 19 DEFERRED TAX CONTINUED

The Group has not recognised a deferred tax asset in respect of losses carried forward in a non-trading UK company of £5.9m (2016: £5.9m) 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.

## 20 SHARE CAPITAL AND RESERVES

	2017 Number	2016 Number	2017 £m	2016 £m
Ordinary shares of 10p each				
Issued and fully paid:				
At 1 May	553,325,554	553,325,554	55.3	55.3
Cancellation of shares	(54,099,842)	–	(5.4)	–
<b>At 30 April</b>	<b>499,225,712</b>	553,325,554	<b>49.9</b>	55.3

During the period, the Company purchased 4.1m ordinary shares at a total cost of £48m under the share buyback programme announced in June 2016. Following the purchase of these shares, the Company held 54m (2016: 50m) shares in treasury at an average cost of 150p (2016: 67p). These shares were cancelled in March 2017. A further 1.7m (2016: 1.8m) shares were held by the Company's Employee Share Ownership Trust ('ESOT') to facilitate the provision of shares under the Group's Performance Share Plan ('PSP').

The non-distributable reserve in the prior year related to the reserve created on the cancellation of the then share premium account in August 2005. Under the terms of the court order, the reserve became distributable when either:

- there remained no outstanding debt or claim against the Company which existed at the date of the cancellation of the share premium account; or
- after 10 years if the only outstanding amount related to leases in effect at the cancellation date.

Accordingly, the reserve was transferred to distributable reserves after 10 years in August 2015.

## 21 SHARE-BASED PAYMENTS

The ESOT facilitates the provision of shares under the Group's PSP. It holds a beneficial interest in 1,736,326 ordinary shares of the Company acquired at an average cost of 960p per share. The shares had a market value of £28.3m at 30 April 2017. 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 74 and 80. 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 2017, there was a net charge to pre-tax profit in respect of the PSP of £5.7m (2016: £4.7m). After tax, the total charge was £4.0m (2016: £3.3m).

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 1,068p, nil exercise price, a dividend yield of 1.43%, volatility of 32.63%, a risk-free rate of 0.23% 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:

	2017 Number	2016 Number
Outstanding at 1 May	2,143,417	2,734,482
Granted	939,591	750,785
Exercised	(717,169)	(1,329,492)
Expired	(54,984)	(12,358)
Outstanding at 30 April	2,310,855	2,143,417
Exercisable at 30 April	–	–

## 22 OPERATING LEASES

Minimum annual commitments under existing operating leases may be analysed by date of expiry of the lease as follows:

	2017 £m	2016 £m
Land and buildings:		
Expiring in one year	5.7	4.1
Expiring between two and five years	37.8	31.9
Expiring in more than five years	27.7	20.1
	<b>71.2</b>	56.1

Total minimum commitments under existing operating leases at 30 April 2017 through to the earliest date at which the lease may be exited without penalty by year are as follows:

Financial year	£m
2018	71.2
2019	61.7
2020	51.4
2021	42.3
2022	34.4
Thereafter	110.8
	<b>371.8</b>

£3m of the total minimum operating lease commitments of £372m relating to vacant properties has been provided within the financial statements and included within provisions in the balance sheet.

## 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 £13m (2016: £10m).

### 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 2017/18 financial year is £1m.

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 2016 by a qualified independent actuary and showed a funding surplus of £6m. The actuary was engaged by the Company to perform a valuation in accordance with IAS 19 (revised) as at 30 April 2017. The principal financial assumptions made by the actuary were as follows:

	2017	2016
Discount rate	2.6%	3.4%
Inflation assumption – RPI	3.3%	3.0%
– CPI	2.2%	1.9%
Rate of increase in salaries	4.3%	4.0%
Rate of increase in pensions in payment	3.2%	3.0%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 23 PENSIONS CONTINUED

Pensioner life expectancy assumed in the 30 April 2017 update is based on the 'S2P CMI 2016' 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:

	2017	2016
Life expectancy of pensioners currently aged 65		
Male	<b>86.5</b>	86.6
Female	<b>88.3</b>	88.9
Life expectancy at age 65 for future pensioner currently aged 45		
Male	<b>87.9</b>	88.3
Female	<b>89.9</b>	90.8

The plan's assets are invested in the following asset classes:

	Fair value	
	2017 £m	2016 £m
UK equities	<b>52.1</b>	44.8
US equities	<b>15.4</b>	12.8
European equities	<b>3.0</b>	2.4
Corporate bonds	<b>5.9</b>	11.1
Global loan fund	<b>10.1</b>	7.5
Liability driven investment funds	<b>3.0</b>	–
Property	<b>10.0</b>	10.1
Cash	<b>0.3</b>	0.3
	<b>99.8</b>	89.0

The amounts recognised in the balance sheet are determined as follows:

	2017 £m	2016 £m
Fair value of plan assets	<b>99.8</b>	89.0
Present value of funded defined benefit obligation	<b>(103.5)</b>	(86.8)
Net (liability)/asset recognised in the balance sheet	<b>(3.7)</b>	2.2

The components of the defined benefit cost recognised in the income statement are as follows:

	2017 £m	2016 £m
Current service cost	<b>0.8</b>	0.8
Net interest on the net defined benefit plan	<b>(0.1)</b>	(0.1)
Net charge to the income statement	<b>0.7</b>	0.7

The remeasurements of the defined benefit plan recognised in the statement of comprehensive income are as follows:

	2017 £m	2016 £m
Actuarial (loss)/gain due to changes in financial assumptions	<b>(17.9)</b>	1.9
Actuarial gain due to changes in demographic assumptions	<b>1.6</b>	0.8
Actuarial gain arising from experience adjustments	<b>0.7</b>	1.8
Return on plan assets excluding amounts recognised in net interest	<b>9.9</b>	(5.1)
Remeasurement of the defined benefit pension plan	<b>(5.7)</b>	(0.6)

Movements in the present value of defined benefit obligations were as follows:

	2017 £m	2016 £m
At 1 May	<b>86.8</b>	89.8
Current service cost	<b>0.8</b>	0.8
Interest cost	<b>3.0</b>	3.2
Contributions from members	<b>0.2</b>	0.2
Remeasurements		
– Actuarial loss/(gain) due to changes in financial assumptions	<b>17.9</b>	(1.9)
– Actuarial gain due to changes in demographic assumptions	<b>(1.6)</b>	(0.8)
– Actuarial gain arising from experience adjustments	<b>(0.7)</b>	(1.8)
Benefits paid	<b>(2.9)</b>	(2.7)
<b>At 30 April</b>	<b>103.5</b>	86.8

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 (2016: £8m) decrease in the defined benefit obligation.
- An increase in the inflation rate of 0.5% would result in an £8m (2016: £7m) 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 £4m (2016: £3m) 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:

	2017 £m	2016 £m
At 1 May	<b>89.0</b>	92.9
Interest income	<b>3.1</b>	3.3
Remeasurement – return on plan assets excluding amounts recognised in net interest	<b>9.9</b>	(5.1)
Employer contributions	<b>0.5</b>	0.4
Contributions from members	<b>0.2</b>	0.2
Benefits paid	<b>(2.9)</b>	(2.7)
<b>At 30 April</b>	<b>99.8</b>	89.0

The actual return on plan assets was a £13.0m gain (2016: £1.8m loss).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 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 43% of the drawn debt at a fixed rate as at 30 April 2017. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result, the carrying value of fixed rate debt is unaffected by changes in credit conditions in the debt markets and there is therefore no exposure to fair value interest rate risk. The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the senior secured credit facility. The interest rates currently applicable to this variable rate debt are LIBOR as applicable to the currency borrowed plus 150bp. The Group periodically utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. However, during the year ended and as at 30 April 2017, 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 2017, based upon the amount of variable rate debt outstanding, the Group's pre-tax profits would change by approximately £15m for each one percentage point change in interest rates applicable to the variable rate debt and, after tax effects, equity would change by approximately £9m. 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 exchange risk

Currency exchange 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 2017, 94% 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 2017, dollar-denominated debt represented approximately 61% 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 2017 a 1% change in the US dollar-pound exchange rate would have impacted our pre-tax profits by approximately £7m and equity by approximately £19m. At 30 April 2017, 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 allowances for doubtful receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group's maximum exposure to credit risk is presented in the following table:

	2017 £m	2016 £m
Cash and cash equivalents	6.3	13.0
Trade and other receivables	591.9	455.7
	<b>598.2</b>	<b>468.7</b>

The Group has a large number of unrelated customers, serving over 600,000 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.

### 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 2017, availability under the \$3.1bn facility was \$1,305m (£1,008m).

### 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. 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 2017

	Undiscounted cash flows – year to 30 April						
	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	Thereafter £m	Total £m
Bank and other debt	-	-	-	1,456.6	-	-	1,456.6
Finance leases	2.6	1.3	0.4	0.1	-	-	4.4
6.5% senior secured notes	-	-	-	-	-	708.0	708.0
5.625% senior secured notes	-	-	-	-	-	386.5	386.5
	2.6	1.3	0.4	1,456.7	-	1,094.5	2,555.5
Interest payments	102.5	102.4	102.3	75.8	67.0	65.7	515.7
	105.1	103.7	102.7	1,532.5	67.0	1,160.2	3,071.2

Letters of credit of £32m (2016: £24m) are provided and guaranteed under the ABL facility which expires in July 2020.

#### At 30 April 2016

	Undiscounted cash flows – year to 30 April						
	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	Thereafter £m	Total £m
Bank and other debt	-	-	-	-	1,063.1	-	1,063.1
Finance leases	2.5	1.8	0.9	0.2	-	-	5.4
6.5% senior secured notes	-	-	-	-	-	627.0	627.0
5.625% senior secured notes	-	-	-	-	-	341.3	341.3
	2.5	1.8	0.9	0.2	1,063.1	968.3	2,036.8
Interest payments	80.2	80.1	80.0	80.0	59.1	174.6	554.0
	82.7	81.9	80.9	80.2	1,122.2	1,142.9	2,590.8

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 24 FINANCIAL RISK MANAGEMENT CONTINUED

#### Fair value of financial instruments

##### Fair value of derivative financial instruments

At 30 April 2017, the Group had no derivative financial instruments. The embedded prepayment options included within the \$900m and \$500m senior secured loan notes are closely related to the host debt contract and hence, are not accounted for separately. The 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 2017. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties and includes accrued interest. Where available, market values have been used to determine fair values of financial assets and liabilities. Where market values are not available, fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest and exchange rates.

	At 30 April 2017		At 30 April 2016	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Fair value of non-current borrowings:				
Long-term borrowings				
Fair value determined based on market value				
– first priority senior secured bank debt	1,456.6	1,456.6	1,063.1	1,063.1
– 6.5% senior secured notes	708.0	735.4	627.0	661.5
– 5.625% senior secured notes	386.5	414.0	341.3	353.2
	2,551.1	2,606.0	2,031.4	2,077.8
Fair value determined based on observable market inputs				
– finance lease obligations	1.8	2.2	2.9	3.2
Total long-term borrowings	2,552.9	2,608.2	2,034.3	2,081.0
Deferred costs of raising finance	(21.5)	–	(22.1)	–
	2,531.4	2,608.2	2,012.2	2,081.0
Fair value of other financial instruments held or issued to finance the Group's operations:				
Fair value determined based on market value				
Finance lease obligations due within one year	2.6	2.6	2.5	2.5
Trade and other payables	537.0	537.0	480.5	480.5
Trade and other receivables	591.9	591.9	455.7	455.7
Cash and cash equivalents	6.3	6.3	13.0	13.0

## 25 NOTES TO THE CASH FLOW STATEMENT

### a) Cash flow from operating activities

	2017 £m	2016 £m
Operating profit before exceptional items and amortisation	897.6	728.2
Depreciation	606.8	449.4
EBITDA before exceptional items	1,504.4	1,177.6
Profit on disposal of rental equipment	(35.6)	(47.4)
Profit on disposal of other property, plant and equipment	(0.1)	(1.4)
Decrease/(increase) in inventories	6.5	(15.1)
Increase in trade and other receivables	(56.9)	(36.8)
Increase/(decrease) in trade and other payables	20.2	(10.9)
Exchange differences	-	(0.1)
Other non-cash movements	5.7	4.7
Cash generated from operations before exceptional items and changes in rental equipment	1,444.2	1,070.6

### b) Analysis of net debt

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

	1 May 2016 £m	Exchange movement £m	Cash flow £m	Debt acquired £m	Non-cash movements £m	30 April 2017 £m
Cash and cash equivalents	(13.0)	(0.5)	7.2	-	-	(6.3)
Debt due within one year	2.5	-	(9.0)	7.2	1.9	2.6
Debt due after one year	2,012.2	228.9	274.8	14.1	1.4	2,531.4
Total net debt	2,001.7	228.4	273.0	21.3	3.3	2,527.7

Non-cash movements relate to the amortisation of prepaid fees relating to the refinancing of debt facilities and the addition of new finance leases in the year.

### c) Acquisitions

	2017 £m	2016 £m
Cash consideration paid		
- acquisitions in the period (net of cash acquired)	414.0	64.9
- contingent consideration	7.1	3.5
	421.1	68.4

During the year, 15 acquisitions were made for a total cash consideration of £414m (2016: £65m), after taking account of net cash acquired of £4.8m. Further details are provided in Note 26.

Payments for contingent consideration on prior year acquisitions were also made of £7m (2016: £3m).

## 26 ACQUISITIONS

During the year, the following acquisitions were completed:

- (i) On 2 May 2016 Sunbelt acquired the business and assets of I & L Rentals, LLC ('I & L') for a cash consideration of £46m (\$67m). I & L is a general equipment rental business in Hawaii.
- (ii) On 20 May 2016 Sunbelt acquired the business and assets of LoadBanks of America ('LBA'), a division of Austin Welder & Generator Services, Inc. for a cash consideration of £4m (\$6m). LBA provides testing solutions for power systems.
- (iii) On 20 May 2016 A-Plant acquired the entire issued share capital of Mather & Stuart Limited ('Mather & Stuart') for a cash consideration of £11m and acquired debt of £3m. Mather & Stuart is a temporary power rental business.
- (iv) On 6 June 2016 Sunbelt acquired the business and assets of Portable Rental Solutions, Inc. and One Source Cooling, LLC (collectively 'PRS') for a cash consideration of £7m (\$11m). PRS is a temporary heating and cooling business in Texas.
- (v) On 12 August 2016 Sunbelt acquired certain business and assets of CanSource Direct Inc. and CSL Safety Training Ltd. (together 'CSD') for an aggregate cash consideration of £5m (C\$9m). CSD is an aerial work platform rental business in Alberta, Canada.
- (vi) On 24 August 2016 Sunbelt acquired the rental business and assets of Tower Tech, Inc. ('Tower Tech') for a cash consideration of £10m (\$13m). Tower Tech is a cooling solutions business in Oklahoma.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 26 ACQUISITIONS CONTINUED

- (vii) On 27 September 2016 A-Plant acquired the entire issued share capital of Tool and Engineering Services Limited ('TES') for a cash consideration of £1m. TES is a welding equipment rental business.
- (viii) On 6 October 2016 Sunbelt acquired certain business and assets of the Post Falls branch of BlueLine Rental, LLC ('Post Falls') for a cash consideration of £3m (\$4m). Post Falls is a general equipment rental business in Idaho.
- (ix) On 12 October 2016 A-Plant acquired the entire issued share capital of Lion Trackhire Limited ('Lion') for a cash consideration of £22m. Including acquired debt, the total consideration was £38m. Lion provides temporary access solutions to the events and industrial sectors.
- (x) On 12 October 2016 Sunbelt acquired the business and assets of Rick's Action Rental, LLC ('RAR') for a cash consideration of £0.3m (\$0.4m). RAR is a general equipment rental business in Michigan.
- (xi) On 31 October 2016 A-Plant acquired the entire issued share capital of Opti-cal Survey Equipment Limited ('Opti-cal') for an initial cash consideration of £11m, with contingent consideration of up to £3m payable over the next two years. Opti-cal is a survey equipment business.
- (xii) On 18 November 2016 Sunbelt acquired the business and assets of four branches of BlueLine Rental, LLC in New Mexico and El Paso, Texas for a cash consideration of £22m (\$27m). These are general equipment rental businesses.
- (xiii) On 17 January 2017 Sunbelt acquired the business and assets of Arsenal Equipment Rentals, LLC ('Arsenal') for a cash consideration of £31m (\$39m). Arsenal is a general equipment rental business in California.
- (xiv) On 31 March 2017, Sunbelt acquired the entire issued share capital of Pride Equipment Corporation and Pride Corporation (together 'Pride') for an aggregate cash consideration of £222m (\$277m). Estimated additional consideration of £9m (\$11m) is expected to become payable later in 2017 by way of tax equalisation. Pride is an aerial work platform rental business in New York.
- (xv) On 26 April 2017, Sunbelt acquired the business and assets of Van's Equipment Denver, LLC and Van's Equipment South, LLC for a cash consideration of £19m (\$25m). These are general equipment rental businesses.

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

	Fair value to Group £m
<b>Net assets acquired</b>	
Trade and other receivables	24.9
Inventory	4.1
Property, plant and equipment	
– rental equipment	153.6
– other assets	8.5
Creditors	(12.5)
Debt	(21.3)
Current tax	(0.9)
Deferred tax	(4.7)
Intangible assets (non-compete agreements and customer relationships)	100.8
	252.5
Consideration:	
– cash paid and due to be paid (net of cash acquired)	416.1
– contingent consideration payable in cash	2.8
– deferred consideration (tax equalisation) payable in cash	9.1
	428.0
Goodwill	175.5

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 the elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group's financial strength to invest in the acquired businesses and drive improved returns through a semi-fixed cost base and the application of the Group's proprietary software to optimise revenue opportunities. £149m of the goodwill is expected to be deductible for income tax purposes.

The fair value of trade receivables at acquisition was £25m. The gross contractual amount for trade receivables due was £26m, net of a £1m provision for debts which may not be collected.

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

The revenue and operating profit of these acquisitions from 1 May 2016 to their date of acquisition was not material.



## 27 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.

### 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 2017 the amount borrowed under these facilities was £1,457m (2016: £1,063m). Subsidiary undertakings are also able to obtain letters of credit under these facilities and, at 30 April 2017, letters of credit issued under these arrangements totalled £32m (\$41m) (2016: £24m (\$36m)). In addition, the Company has guaranteed the 6.5% and 5.625% second priority senior secured notes with a par value of \$900m (£696m) and \$500m (£386m) respectively, issued by Ashtead Capital, Inc..

The Company has guaranteed operating and finance lease commitments of subsidiary undertakings where the minimum lease commitment at 30 April 2017 totalled £38m (2016: £37m) in respect of land and buildings of which £8m is payable by subsidiary undertakings in the year ending 30 April 2018.

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 2016, this guarantee was the equivalent of £21m.

The Company has guaranteed the performance by subsidiaries of certain other obligations up to £2m (2016: £5m).

## 28 CAPITAL COMMITMENTS

At 30 April 2017 capital commitments in respect of purchases of rental and other equipment totalled £481m (2016: £315m), all of which had been ordered. There were no other material capital commitments at the year end.

## 29 EVENTS AFTER THE BALANCE SHEET DATE

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

- (i) On 5 May 2017 Sunbelt acquired the business and assets of Noble Rents, Inc. ('Noble') for a cash consideration of £26m (\$34m). Noble is a general equipment rental business in California.
- (ii) On 22 May 2017 Sunbelt acquired the business and assets of RGR Equipment, LLC ('RGR') for a cash consideration of £45m (\$58m). RGR is an aerial work platform rental business in Missouri.
- (iii) On 31 May 2017 A-Plant acquired the entire share capital of Plantfinder (Scotland) Limited and the business and assets of Clyde Security Containers Limited (together 'Plantfinder') for a cash consideration of £24m. Plantfinder is an aerial work platform rental business.
- (iv) On 1 June 2017 Sunbelt acquired the business and assets of MSP Equipment Rentals, Inc. ('MSP') for a cash consideration of £18m (\$23m). MSP is an aerial work platform rental business in Delaware.

The initial accounting for these acquisitions is incomplete. Had the acquisitions taken place on 1 May 2016, their contribution to revenue and operating profit would not have been material.

## 30 RELATED PARTY TRANSACTIONS

The Group's key management comprise 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 Directors' remuneration report and form part of these financial statements. In relation to the Group's defined benefit pension plan, details are included in Note 23.

## 31 EMPLOYEES

The average number of employees, including directors, during the year was as follows:

	2017 Number	2016 Number
North America	10,287	10,001
United Kingdom	3,307	2,966
	<b>13,594</b>	<b>12,967</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 32 PARENT COMPANY INFORMATION

### a. Balance sheet of the Company (Company number: 01807982)

	Notes	2017 £m	2016 £m
<b>Current assets</b>			
Prepayments and accrued income		0.3	0.3
Amounts due from subsidiary undertakings	(f)	181.5	–
		<b>181.8</b>	0.3
<b>Non-current assets</b>			
Investments in Group companies	(h)	363.7	363.7
Deferred tax asset		1.6	0.9
		<b>365.3</b>	364.6
<b>Total assets</b>			
		<b>547.1</b>	364.9
<b>Current liabilities</b>			
Amounts due to subsidiary undertakings	(g)	–	32.6
Accruals and deferred income		8.6	5.8
<b>Total liabilities</b>		<b>8.6</b>	38.4
<b>Equity</b>			
Share capital	(b)	49.9	55.3
Share premium account	(b)	3.6	3.6
Capital redemption reserve	(b)	6.3	0.9
Own shares held by the Company	(b)	–	(33.1)
Own shares held through the ESOT	(b)	(16.7)	(16.2)
Retained reserves	(b)	495.4	316.0
<b>Equity attributable to equity holders of the Company</b>		<b>538.5</b>	326.5
<b>Total liabilities and equity</b>			
		<b>547.1</b>	364.9

These financial statements were approved by the Board on 12 June 2017.



**GEOFF DRABBLE**  
Chief executive



**SUZANNE WOOD**  
Finance director

## b. Statement of changes in equity of the Company

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non- distributable reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Retained reserves £m	Total £m
At 1 May 2015	55.3	3.6	0.9	90.7	(33.1)	(15.5)	248.4	350.3
Total comprehensive income for the year	-	-	-	-	-	-	0.1	0.1
Dividends paid	-	-	-	-	-	-	(81.5)	(81.5)
Dividend received from Ashtead Holdings plc	-	-	-	-	-	-	64.7	64.7
Own shares purchased by the ESOT	-	-	-	-	-	(12.0)	-	(12.0)
Share-based payments	-	-	-	-	-	11.3	(6.6)	4.7
Tax on share-based payments	-	-	-	-	-	-	0.2	0.2
Transfer of non-distributable reserves	-	-	-	(90.7)	-	-	90.7	-
At 30 April 2016	55.3	3.6	0.9	-	(33.1)	(16.2)	316.0	326.5
Total comprehensive income for the year	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(116.1)	(116.1)
Dividends received from Ashtead Holdings plc	-	-	-	-	-	-	376.6	376.6
Own shares purchased by the ESOT	-	-	-	-	-	(7.2)	-	(7.2)
Own shares purchased by the Company	-	-	-	-	(48.0)	-	-	(48.0)
Share-based payments	-	-	-	-	-	6.7	(1.0)	5.7
Tax on share-based payments	-	-	-	-	-	-	1.0	1.0
Cancellation of own shares	(5.4)	-	5.4	-	81.1	-	(81.1)	-
<b>At 30 April 2017</b>	<b>49.9</b>	<b>3.6</b>	<b>6.3</b>	<b>-</b>	<b>-</b>	<b>(16.7)</b>	<b>495.4</b>	<b>538.5</b>

## c. Cash flow statement of the Company

	Note	2017 £m	2016 £m
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	(j)	<b>(203.5)</b>	30.4
Financing costs paid – commitment fee		<b>(1.8)</b>	(1.6)
Dividends received from Ashtead Holdings PLC		<b>376.6</b>	64.7
<b>Net cash from operating activities</b>		<b>171.3</b>	93.5
<b>Cash flows from financing activities</b>			
Purchase of own shares by the ESOT		<b>(7.2)</b>	(12.0)
Purchase of own shares by the Company		<b>(48.0)</b>	-
Dividends paid		<b>(116.1)</b>	(81.5)
<b>Net cash used in financing activities</b>		<b>(171.3)</b>	(93.5)
<b>Change in cash and cash equivalents</b>		<b>-</b>	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

### 32 PARENT COMPANY INFORMATION CONTINUED

#### 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 amount of the profit for the financial year dealt with in the accounts of Ashtead Group plc is £nil (2016: £0.1m). There were no other amounts of comprehensive income in the financial year.

#### f. Amounts due from subsidiary undertakings

	2017 £m	2016 £m
Due within one year:		
Ashtead Plant Hire Company Limited	181.5	–

#### g. Amounts due to subsidiary undertakings

	2017 £m	2016 £m
Due within one year:		
Ashtead Holdings PLC	–	32.6

#### h. Investments

	Shares in Group companies	
	2017 £m	2016 £m
At 30 April	363.7	363.7

Details of the Company's subsidiaries at 30 April 2017 are as follows:

Name	Country of incorporation and operation	Principal activity
Ashtead Holdings PLC	England and Wales	Investment holding company
Sunbelt Rentals, Inc.	USA	Equipment rental and related services
Sunbelt Rentals Industrial Services LLC	USA	Equipment rental and related services
Empire Scaffold LLC	USA	Equipment rental and related services
Sunbelt Rentals Scaffold Services, Inc.	USA	Equipment rental and related services
Pride Corporation	USA	Equipment rental and related services
Sunbelt Rentals of Canada Inc.	Canada	Equipment rental and related services
Ashtead Plant Hire Company Limited	England and Wales	Equipment rental and related services
PSS Utility Solutions Limited	Republic of Ireland	Equipment rental and related services
Lion Trackhire GmbH	Germany	Equipment rental and related services
Ashtead Capital, Inc.	USA	Finance company
Ashtead Financing Limited	England and Wales	Finance company
Ashtead Financing (Ireland)	Republic of Ireland	Finance company
Ashtead US Holdings, Inc.	USA	Investment holding company
Ashtead Holdings, LLC	USA	Investment holding company
Accession Group Limited	England and Wales	Dormant
Accession Holdings Limited	England and Wales	Dormant
Eve Trakway Limited	England and Wales	Dormant
Anglia Traffic Management Group Limited	England and Wales	Dormant
ATM Traffic Solutions Limited	England and Wales	Dormant
Event Infrastructure & Branding Limited	England and Wales	Dormant
Temporary Roadway & Access Company Limited	England and Wales	Dormant
G.B. Access Limited	England and Wales	Dormant
Fraluk Limited	England and Wales	Dormant
Mather & Stuart Limited	England and Wales	Dormant
Mather & Stuart Generators Limited	England and Wales	Dormant
Mather & Stuart Holdings Limited	England and Wales	Dormant
Tool and Engineering Services Limited	England and Wales	Dormant
Lion Trackhire Limited	England and Wales	Dormant
Lion Trackhire Limited	Republic of Ireland	Dormant
Construction Laser Equipment Limited	England and Wales	Dormant
Opti-cal Survey Equipment Limited	England and Wales	Dormant

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. Financial instruments

The book value and fair value of the Company's financial instruments are not materially different.

#### j Notes to the Company cash flow statement

##### Cash flow from operating activities

	2017 £m	2016 £m
Operating profit	1.6	1.6
Depreciation	0.1	0.1
EBITDA	1.7	1.7
Increase in accruals and deferred income	2.8	1.4
(Decrease)/increase in intercompany payable and receivable	(213.7)	22.6
Other non-cash movement	5.7	4.7
Net cash (outflow)/inflow from operations before exceptional items	(203.5)	30.4



# TEN-YEAR HISTORY

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>In £m</b>										
<b>Income statement</b>										
Revenue*	<b>3,186.8</b>	2,545.7	2,038.9	1,634.7	1,361.9	1,134.6	948.5	836.8	1,073.5	1,047.8
Operating costs*	<b>(1,682.4)</b>	(1,368.1)	(1,130.5)	(949.6)	(842.9)	(753.5)	(664.7)	(581.7)	(717.4)	(684.1)
EBITDA*	<b>1,504.4</b>	1,177.6	908.4	685.1	519.0	381.1	283.8	255.1	356.1	363.7
Depreciation*	<b>(606.8)</b>	(449.4)	(351.5)	(275.9)	(229.0)	(199.8)	(185.0)	(186.6)	(201.1)	(176.6)
Operating profit*	<b>897.6</b>	728.2	556.9	409.2	290.0	181.3	98.8	68.5	155.0	187.1
Interest*	<b>(104.2)</b>	(82.9)	(67.3)	(47.1)	(44.6)	(50.7)	(67.8)	(63.5)	(67.6)	(74.8)
Pre-tax profit*	<b>793.4</b>	645.3	489.6	362.1	245.4	130.6	31.0	5.0	87.4	112.3
Operating profit	<b>869.3</b>	699.6	541.1	403.6	284.2	178.2	97.1	66.0	68.4	184.5
Pre-tax profit	<b>765.1</b>	616.7	473.8	356.5	214.2	134.8	1.7	4.8	0.8	109.7
<b>Cash flow</b>										
Cash flow from operations before exceptional items and changes in rental fleet	<b>1,444.2</b>	1,070.6	841.4	645.5	501.3	364.6	279.7	265.6	373.6	356.4
Free cash flow	<b>319.4</b>	(68.0)	(87.9)	(48.5)	(34.0)	(9.4)	65.6	199.2	166.0	14.8
<b>Balance sheet</b>										
Capital expenditure	<b>1,085.6</b>	1,240.0	1,063.1	740.6	580.4	476.4	224.8	63.4	238.3	331.0
Book cost of rental equipment	<b>5,846.4</b>	4,480.8	3,638.2	2,575.8	2,186.5	1,854.1	1,621.6	1,701.3	1,798.2	1,528.4
Shareholders' funds	<b>1,970.1</b>	1,480.4	1,111.5	824.4	682.5	554.7	481.4	500.3	526.0	440.3
<b>In pence</b>										
Dividend per share	<b>27.5p</b>	22.5p	15.25p	11.5p	7.5p	3.5p	3.0p	2.9p	2.575p	2.5p
Earnings per share	<b>100.5p</b>	81.3p	60.5p	46.1p	27.6p	17.8p	0.2p	0.4p	12.5p	14.2p
Underlying earnings per share	<b>104.3p</b>	85.1p	62.6p	46.6p	31.4p	17.3p	4.0p	0.2p	11.9p	14.8p
<b>In per cent</b>										
EBITDA margin*	<b>47.2%</b>	46.3%	44.6%	41.9%	38.1%	33.6%	29.9%	30.5%	33.2%	34.7%
Operating profit margin*	<b>28.2%</b>	28.6%	27.3%	25.0%	21.3%	16.0%	10.4%	8.2%	14.4%	17.9%
Pre-tax profit margin*	<b>24.9%</b>	25.3%	24.0%	22.2%	18.0%	11.5%	3.3%	0.6%	8.1%	10.7%
Return on investment*	<b>17.3%</b>	18.9%	19.4%	18.6%	16.2%	12.0%	7.0%	4.6%	9.7%	14.0%
<b>People</b>										
Employees at year end	<b>14,220</b>	13,106	11,928	9,934	9,085	8,555	8,163	7,218	8,162	9,594
<b>Locations</b>										
Stores at year end	<b>808</b>	715	640	556	494	485	462	498	520	635

\* Before exceptional items, amortisation and fair value remeasurements.

# 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 are commonly used by investors or across the industry and which the directors have adopted in order to provide additional useful information on the underlying trends, performance and position of the Group. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs.

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

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

**Cash conversion ratio:** represents cash flow from operations before exceptional items and changes in rental equipment as a percentage of underlying EBITDA. The cash conversion ratio is shown on the summary cash flow statement in the Strategic report on page 41.

**Constant currency:** calculated by applying the current period exchange rate to the comparative period result.

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

**EBITDA:** EBITDA is earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA is shown on the income statement on page 96.

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

**Exceptional items:** those items that are material and non-recurring in nature that the Group believes should be disclosed separately to assist in the understanding of the financial performance of the Group. Details are provided in Note 5 to the financial statements.

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

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

**Free cash flow:** cash generated from operating activities less net capital expenditure, interest and tax paid. Net capital expenditure comprises payments for capital expenditure less disposal proceeds received in relation to rental equipment and other asset disposals. A reconciliation of free cash flow is shown in the Strategic report on page 41.

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

**Net debt:** net debt is total debt less cash balances, as reported. An analysis of net debt is provided in Note 25(b) to the financial statements.

**Physical utilisation:** physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt is measured only for equipment whose cost is over \$7,500.

**Return on Investment ('RoI'):** 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, deferred tax and fair value measurements. Amounts relating to Sunbelt and A-Plant exclude goodwill and intangible assets.

**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 \$3.1bn asset-backed senior bank facility.

**Underlying:** underlying results are the results stated before exceptional items and the amortisation of acquired intangibles. A reconciliation is shown on the income statement on page 96.

**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.

# ADDITIONAL INFORMATION

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## **FUTURE DATES**

Quarter 1 results	12 September 2017
2017 Annual General Meeting	12 September 2017
Quarter 2 results	12 December 2017
Quarter 3 results	6 March 2018
Quarter 4 and year-end results	19 June 2018

## **ADVISERS**

### **Auditor**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

### **Registrars & Transfer Office**

Equiniti  
PO Box 4630  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6QQ

### **Financial PR Advisers**

The Maitland Consultancy  
13 King's Boulevard  
London  
N1C 4BU

## **Solicitors**

Travers Smith LLP  
10 Snow Hill  
London  
EC1A 2AL

Skadden, Arps, Slate, Meagher & Flom LLP  
155 N Wacker Drive  
Chicago  
IL 60606

Parker, Poe, Adams & Bernstein LLP  
401 South Tryon Street  
Charlotte  
NC 28202

## **Brokers**

Jefferies Hoare Govett  
Vintners Place  
68 Upper Thames Street  
London  
EC4V 3BJ

Barclays Bank plc  
North Colonnade  
Canary Wharf  
London  
E14 4BB

## **Registered number**

01807982

## **Registered Office**

100 Cheapside  
London  
EC2V 6DT



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Designed and produced by  
**CONRAN DESIGN GROUP**

**Ashtead Group plc**  
100 Cheapside  
London EC2V 6DT

Phone: + 44 (0) 20 7726 9700

Fax: + 44 (0) 20 7726 9705

**[www.ashtead-group.com](http://www.ashtead-group.com)**