Annual Report and Accounts 2008

Ashtead group

We're making more things possible

At Ashtead we make more things possible for individuals and businesses.

We are a global leader in the provision of hire equipment, from hand held tools to aerial platforms to complete on-site contractor villages. We provide solutions and systems that support our customers and pride ourselves in delivering excellent levels of service and care.

Above all, it is our people that really make the difference.

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The front cover image shows the redevelopment of the Royal London Hospital extension in East London, part of the 42 year £1bn PFI contract being undertaken by A-Plant's customer Skanska UK Plc.

Highlights

Strong performance across both core divisions
- **21% growth** in Sunbelt's underlying operating profit to $330.9m
- **46% growth** in A-Plant's underlying operating profit to £30.2m

Sale of Ashtead Technology division for £96m announced on 23 June 2008

Market conditions remain good in both the UK and US
- Physical utilisation in both businesses currently exceeds last year on a larger fleet
- Fleet age and mix at optimum levels
- Business model has flexibility to react quickly and effectively to change

Net debt to EBITDA of 2.5 times (2007: 2.7 times). With the Technology sale and our anticipated strong cash flow, we are targeting net debt at constant exchange rates at 30 April 2009 of £785m (2008: £963m)

Final dividend of 1.675p per share proposed, making 2.5p for the year, up 52% on 2007's 1.65p

£23m spent in the year on share buy-backs. To 20 June, a total of £30m has been spent acquiring 7.5% of the issued capital at an average cost of 73p

Total Group revenue

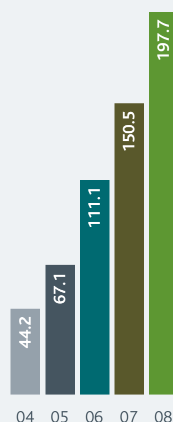
£1,002.6m

+12%

Underlying operating profit

£197.7m

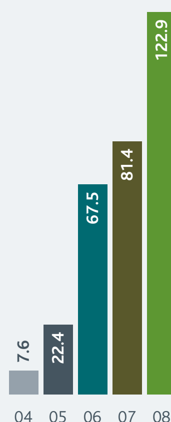
+31%



Underlying profit before taxation

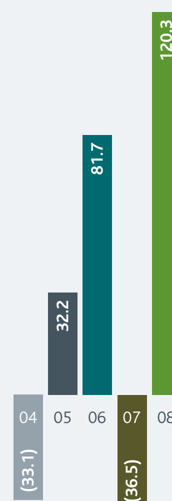
£122.9m

+51%



Profit/(loss) before taxation

£120.3m



The figures for 2005, 2006, 2007 and 2008 are reported in accordance with IFRS. Figures for 2004 are reported under UK GAAP and have not been restated in accordance with IFRS.

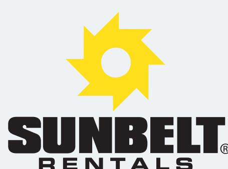
IFRS requires that, as a disposed business, Ashtead Technology's after tax profits and total assets and liabilities are reported in the Group's accounts as single line items within our income statement and balance sheet with the result that revenues, operating profit and pre-tax profits as reported in the Group accounts exclude Ashtead Technology. To aid comparability with our previous results announcements and with market expectations, however, the total Group's results above include Ashtead Technology's revenues and profits alongside those of Sunbelt and A-Plant. A reconciliation of these total Group underlying results to the reported results for the year is included in the Business and Financial Review on page 17.

Underlying profit and earnings per share include the results of Ashtead Technology and are stated before exceptional items, amortisation of acquired intangibles and non-cash fair value remeasurements of embedded derivatives in long term debt. The definition of exceptional items is set out in note 1. The reconciliation of underlying earnings per share and underlying cash tax earnings per share to basic earnings per share is shown in note 9 to the financial statements.

Divisional comparisons above are on a pro forma basis which includes the NationsRent and Lux Traffic acquisitions throughout the whole of the 2006/7 fiscal year. For this purpose the pre-acquisition results of NationsRent have been derived from its reported performance under US GAAP adjusted to exclude the large profits on disposal of rental equipment it reported following the application of US 'fresh start' accounting principles and to include an estimated depreciation charge under Ashtead's depreciation policies.

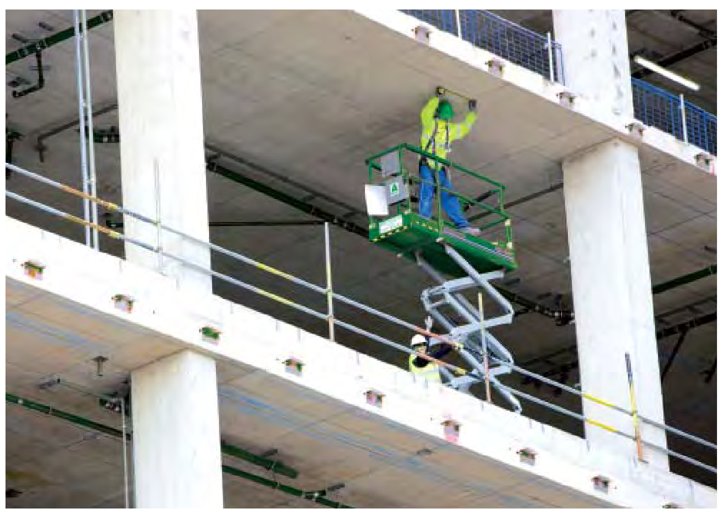
At a glance

Ashtead Group provides solutions for customers who need a quick, efficient and cost-effective service. We provide equipment that lifts, powers, generates, moves, digs, supports, scrubs, pumps, directs, ventilates – whatever the job needs. We rent equipment on flexible terms so that our customers can focus on what they do best rather than maintaining and servicing equipment they may use only periodically. We make sure the equipment is there when it needs to be and is ready to work immediately and efficiently. Our profit centres are located where they are most required and we guarantee our service. Whether customers need a small hand held tool or power generation for a 30 floor building, our staff are there, able and willing, to help our customers ensure the job gets done.

		
Description	**Sunbelt** The third largest equipment rental business in the US market. Sunbelt has 430 locations operating in 35 states.	**A-Plant** The second largest UK equipment rental company with 192 locations across Britain, operating in a mature, stable market.
Employees	7,000	2,400
Principal operating regions	US	UK
Revenues	$1,528m	£215m
Profits	$331m	£30m
Return on investment*	14%	11%

* Return on Investment is defined as underlying operating profit divided by the weighted average cost of net operating assets including goodwill. Debt and deferred tax are excluded.

SUNBELT
RENTALS
PUMP & POWER



Chairman's statement

I am pleased to report that Ashtead has traded well during the last year, with all three divisions performing strongly. This year our focus has been on organic growth in both Sunbelt and A-Plant and on further strengthening the operational and financial base of the Company. Over the past 18 months we have completed successfully the integration of NationsRent with Sunbelt in the US and achieved a significant repositioning of A-Plant in the UK.

Financial results and dividend

Both of these initiatives have driven strong growth in total underlying pre-tax profit which was £123m, up 51% from last year's £81m. Underlying total Group revenue was £1,003m (2007: £896m) whilst the reported profit before tax was £110m (2007: loss of £43m after significant one-time costs associated with, principally, the NationsRent acquisition). Our underlying earnings per share grew 44% to 14.8p (2007: 10.3p). On a continuing basis (excluding Ashtead Technology) underlying earnings per share grew 40% to 13.4p.

As announced in December, the Board also reviewed the level of the dividend during the year. As a result, the payout has been rebased to take account of the Group's improved profitability. Accordingly, following a 50% increase in the interim dividend to 0.825p per share, the Board is recommending a further substantial increase in the final dividend to 1.675p per share, making 2.5p for the year, up 52% on last year's total of 1.65p per share. On the current issued share capital, the dividend is covered 5.6 times by earnings from continuing operations. Following this rebasing, the Board's objective is to increase the dividend progressively over time, considering both the underlying performance of the Group and the ongoing cash flow of the business. If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 26 September to shareholders on the register on 5 September 2008.

Strategy and operations

Ashtead aims to be a leading rental provider in the geographies in which it operates. Our strategy is to provide a broad range of products and value added service to our customers to support their business needs. We seek to ensure that through both the range and quality of our fleet, together with the systems and support we provide in areas such as health and safety and training, we become the outsourcing partner of choice in the markets we serve.

A combination of legislation and best practice is driving our customers, the larger contractors, to focus on a range of key performance requirements that only the best managed and invested rental companies can provide. We have invested in the people, equipment and systems necessary to ensure that our businesses are at the forefront of these developments. As a major player in both the UK and US, we expect to benefit from the inevitable, continuing consolidation of our fragmented industry.

Additionally, following the good performance of Sunbelt in the first full year of ownership of NationsRent, we are now positioned to utilise our enlarged national footprint of profit centres to gain greater market share in the US and to further benefit from the increasing US rental penetration, a process that is likely to accelerate given the current economic uncertainty.

Despite our progress in the past year and the excellent financial results, we are disappointed that our strong operational and financial performance is not yet reflected in our share price relative to our peer group. We are fully cognisant of concerns regarding a downturn in the US construction market in particular. However, we have, as yet, seen little evidence of this in our own performance. Nonetheless we practice prudent operational and financial management, as well as having a flexible business model that is highly adaptable to market conditions.

We are also a very different business now to the one that was impacted by the last US economic downturn in 2001 that went on to affect the construction industry in the 2002 to 2004 period. We have a very different financial structure, a different strategy and different management. I sincerely hope that over the coming year, the institutional investment community will recognise that to a greater degree.

Over the last year we have focused in particular on ensuring that we have a significantly stronger platform from which to either benefit from further growth or withstand any economic downturn. For example, having invested heavily in recent years to de-age and renew our rental fleets in both the US and UK, we are now entering a cash generative phase during which we intend to use our free cash flow primarily to lower outstanding debt. This will, of course, help us maintain flexibility in our capital structure.

Total underlying pre-tax profits	Total Group revenue	Earnings per share
£123m	£1,003m	14.8p
+51%	+12%	+44%

Group structure and balance sheet strength

During the year we completed a strategic review of Ashtead Technology and, as a result, decided to divest it as it was non-core. Ashtead Technology has leading positions in specialised markets but these markets are unrelated to those of our two core businesses, Sunbelt and A-Plant. The Technology business was also small compared to the core operations and was not a major contributor to the Group's profitability. Following an extensive auction process, Ashtead Technology has been sold to Phoenix Equity Partners Limited for £96m. We believe the price achieved reflects good value for Ashtead and the proceeds will be applied to reduce outstanding debt. I would like to thank the staff of Ashtead Technology for their contribution to Ashtead over the years and wish them all the best under new ownership.

In addition to the increased dividend outlined above, now that the NationsRent integration is complete and debt leverage has been reduced to the midpoint of our target range with further reductions expected, the Board also decided that it was appropriate to make an additional equity return in the form of an on-market share buy-back. Accordingly the Company's brokers, UBS and Hoare Govett, have been making selective purchases in the market of the Company's issued share capital up to 10% of the outstanding capital. To 20 June 2008, we have purchased 7.5% of the Company's capital at a cost of £30m. The Annual General Meeting notice will seek shareholders' approval for a renewed buy-back authority over up to a further 10% of the authorised share capital in the forthcoming year which the Board, however, intends to use only selectively, depending on the development of the share price and having regard to its overall objective of managing the capital structure conservatively.

With the Technology disposal, and having regard to our anticipated strong cash flow, by 30 April 2009 we are targeting net debt at constant exchange rates of £785m (2008: £963m) and to be at the lower end of our 2 to 3 times net debt to EBITDA range.

Corporate governance

The Board continues to be committed to maintaining high standards of corporate governance at Ashtead and to continuing to ensure that Ashtead acts responsibly in all areas of its business as well as fulfilling its obligations as a good corporate citizen. We take our social, ethical and environmental commitments very seriously, to ensure the safety of both our employees and our customers, limit the impact we have on the environment, and give back to the communities in which we do business. As was our stated intention last year, we have made good progress this year in formalising and developing our environment, health and safety initiatives and the Corporate Responsibility Report included later in this Report and Accounts provides expanded reporting on corporate responsibility issues.

Our people

The Board and management of Ashtead owe a huge debt of thanks to our employees, without whom Ashtead would simply not be the company it is today. We are extremely fortunate to benefit from a highly skilled, dedicated and enthusiastic workforce which strives on a daily basis to deliver the highest standards of service to our customers. Excellent client care is a firmly embedded element of the Ashtead culture.

I would also like to thank our investors who have remained with us during a difficult share price performance this year. I hope we will demonstrate in this report that your support is well founded and that you will continue to share our confidence in Ashtead's future.

Current trading and outlook

Current trading is in line with our expectations with both Sunbelt and A-Plant delivering improved year on year performance in May.

We continue to enjoy high levels of utilisation and expect to benefit further from the momentum established in the Group. Therefore, despite the current economic uncertainty, the Board anticipates the Group continuing to trade in line with its expectations in the coming year.

Chris Cole
23 June 2008

From beginning to end, we provide the tools and support to achieve success

The right equipment…

Ashtead provides the tools and support to help all types of customers achieve success – from DIY enthusiasts to major multi-million pound construction projects. We're there at the beginning when the ground is broken and we stay as long as we are needed. Often we work alongside the main contractor on a large project for several years, providing the right equipment at each stage of the process and even facilitating fit-out maintenance once the construction is complete.

Building on an already established relationship, Skanska turned to A-Plant, our UK business, to provide the equipment they and other contractors would need for the multi-million PFI redevelopment programmes for the King's Mill and Mansfield Hospitals in Nottinghamshire and the Royal London and St Bartholomew's Hospitals in London. A-Plant will provide a broad range of equipment needs over the several years' duration of the enormous modernisation of these hospitals, which are effectively being rebuilt while remaining operational.

…at the right time…

These multi-year projects will run well into the next decade. A-Plant will be on-site throughout, providing equipment for each major phase of construction. As each phase begins, A-Plant first provides equipment for excavation and groundworks, supplying a range of excavators, small tools and specialist formwork and falsework (for retaining concrete) as the foundations are laid. When the biggest construction equipment is in use, a key role for us can be to bring fuel directly to where it is required, meaning that there is no need for contractors to go off site to purchase fuel and therefore delay their work.

As each phase progresses, we accommodate the changing contractors' needs, supplying for example, dumpers and powered access machines to ensure work can be carried out safely at high levels. Once the external construction is complete and the internal fit-out stage begins, we continue to supply a wide range of equipment, from heating or air conditioning units, depending on the season, and smaller tools through to dust suppression and extraction equipment.

...in the right place...

On significant parts of major projects we often establish a dedicated on-site hire resource, replicating the functions of an A-Plant depot and providing the immediacy of service that only an on-site facility can offer. We have our own staff on-site, including specialists who can advise on the most appropriate equipment, provide technical back-up, ensure that equipment is in peak condition, deal quickly with any maintenance issues, and advise on safety matters.

…and providing a home from home.

At the heart of several of these projects is a 'Contractors' Village' of temporary site equipment supplied by A-Plant Accommodation. Each unit is typically supplied to meet the customer's precise colour, layout and security requirements. Given its uniformity and proximity to the worksite, each village typically provides a highly effective and efficient operational centre, enabling the customer to keep all their trade contractors' offices in one area. When you're going to be on-site for several years, you need a good base from which to work.

Project lifecycle

Initial set up of the job-site

This phase involves the customer moving their staff on-site. In this phase, the customer typically establishes a site office on-site, provides welfare facilities for their workforce as well as site storage. In this phase we offer equipment such as:

- Diggers and dumpers used for earth preparation, removing top soil and putting down stone
- Excavators and rollers used in the construction of the temporary site area, hard standing for material storage and car parks
- Accommodation units to form the 'Contractors' Village'
- Temporary traffic management systems to control the movement of traffic on and off site
- Portable generators and job-site power distribution systems to ensure the ready availability of electrical power
- Temporary lighting depending on season
- Steel storage units and fencing to help secure and manage the site including any security compound

Site clearance, excavation and ground working

In this phase the customer clears and consolidates the sites and excavates as required to establish the appropriate foundations. The equipment we are called upon to supply in this phase includes:

- Diggers, dumpers and other earthmoving equipment to transport earth and spoil around the job-site
- Piling to support main construction structures
- Acrow equipment to support concrete foundations and other concrete structures
- Trench shoring for deep drainage
- Rollers and other equipment used for the re-flattening of land once the underground work is complete
- We also offer re-fuelling of heavy equipment whilst on-site and supply both fuel and water bowsers
- Smaller hand-held tools

On the larger sites, we offer to establish an on-site depot at this phase enabling the lead contractor and his sub-contractors ready access to an immediate store of available equipment without having to incur the delay or delivery cost necessitated by off-site provision.

Construction

Once the site has been cleared and consolidated and the foundations have been prepared, the main construction starts. At this phase of the project, we again help the contractor do more by providing the right piece of equipment required for the task at hand. This will typically include:

- Acrow formwork and falsework to support construction of any concrete structures – for example central lift and maintenance shafts
- Powered access platforms and booms as well as telehandlers used to help lift and position construction workers and equipment up and down the structure whilst it is being built
- Survey equipment to confirm correct positioning of structures
- All types of dumpers, forklifts and concrete mixers are used during bricklaying and other wet trades involved in general construction
- Smaller hand-held tools

Fit-out

Once the basic fabric of the building is complete and the roof is on, the fit-out to make it suitable for its end occupier commences. At this phase of the project, the heating and ventilation systems will be installed alongside all the other plumbing and electrical systems. Non-structural internal walling and partitioning will be added and internal decoration will be completed. Equipment used during fit-out includes:

- A vast range of smaller tools and equipment used to support almost every aspect of the fit-out works
- Aluminium towers and smaller electric scissor lifts to provide safe and secure high level internal access
- Temporary heating and air-conditioning equipment depending on the season to maintain working conditions in the incomplete building until the relevant services are fully installed and commissioned
- Temporary job-site power as well as specialist heaters used to speed the drying-out of the building
- Forklifts and telehandlers to aid the movement and delivery of equipment and materials wherever needed

This phase of the project typically involves the greatest number of specialist sub-contractors, all of whom will work under the control and direction of the master contractor. We offer all the sub-contractors on-site the ability to obtain advice and assistance on the different types of equipment from our specialist staff.

When it's finished we'll still be there to help

We provide much more than construction equipment alone. We supply ongoing maintenance equipment to any facility. In addition, our specialist divisions can assist with cleaning up after a disaster, providing equipment for major events and even directing traffic.

For example, our specialist Pump and Power business in the US provides equipment to get rid of excess water after a flood, whether it is weather related, the result of a burst water main or the water left behind once a major fire has been extinguished. We provide aerial man lifts, dehumidifiers and generators to supply the power required for lighting and ventilation, as well as interior remediation and restoration equipment.

You probably don't notice us, but we are often there providing the behind the scenes equipment without which many major events would never happen. We rent a wide variety of equipment, such as lighting, power and accommodation units used at rock concerts, music festivals, sporting events and many other venues.

Our specialist traffic division, A-Plant Lux is the UK leader in providing traffic control systems on a rental basis. We can provide a single set of traffic lights or a complex high speed traffic management system. We monitor the equipment for the duration of the project and take it all away at the end.

So, whether the requirement is for a hand held machine tool or an on-site hire depot for a multi-million pound project, our customers look to us to make the process run smoothly, effectively and efficiently. Considerably less to worry about.

Business and financial review

Geoff Drabble
Chief Executive

Ian Robson
Finance Director

Overview

Ashtead operates in the US principally under the name Sunbelt and in the UK principally under the name A-Plant. Ashtead is now the second largest equipment rental group in the world. Sunbelt is the third largest equipment rental company in the US, whilst A-Plant is the second largest equipment rental company in the UK, in each case, measured by rental revenue.

We provide a wide range of rental equipment, from everyday machine tools to extensive pump and power systems used in major disaster situations. We are a service business and it is our network, people and systems that set us apart in our markets. At Group level, we are focused on the management of asset intensive businesses with the aim of delivering superior financial returns. In future years, we expect to continue to develop our existing networks and to consider both adding new higher return product types and extending the geographical markets in which we operate.

We provide solutions in all manner of situations including the following:

- Non-residential construction markets – providing all types of construction equipment
- Facilities management – again providing all types of equipment for maintenance and repair
- Disaster relief – providing pumps and power generation equipment in all types of application, ranging from assistance at times of flooding due to weather (e.g. hurricanes) or a burst water supply
- Major event management – providing power generation, lighting and other equipment at major sporting events, music concerts and festivals
- Traffic management – providing portable traffic systems to facilitate major engineering projects or clean-up after an accident

The year was a significant one in terms of the development of the Group both in the US and the UK. In our first full year of ownership of NationsRent, our transformational US acquisition, we completed the final structural elements of the integration. An integration of this scale can be a distraction and, therefore, Sunbelt's delivery of 21% growth in underlying operating profit over last year's pro forma combined performance was particularly pleasing.

Utilisation in the US improved throughout the year, which allowed us to grow the fleet relative to last year during the fourth quarter. We therefore enter the new financial year with a larger, reconfigured fleet, good levels of utilisation and the major distractions of integration behind us. Our focus for the coming year will be on driving organic revenue growth and deriving the full benefit from our now much larger nationwide profit centre footprint.

A-Plant also performed well, benefiting from a clear sales strategy which delivered strong growth together with infrastructure cost control. As a result A-Plant delivered an excellent 46% improvement in underlying operating profit. We will continue to offer a broad range of plant, tools and specialty products to our customer base. This strategy makes us the clear market leader and delivers significant advantages for our larger customers.

We have continued to invest in the size, mix and age of our fleet in the US and UK with capital expenditure for the year being £331m. Our rental fleet has now reached an age and mix which we consider optimal and we therefore expect significantly reduced gross capital expenditure of approximately £230m in the coming year. As a result, we expect to generate significant free cash flow in the coming year which, together with the proceeds from the Technology sale, allows us to target net debt to EBITDA leverage at the lower end of our 2 to 3 times range by April 2009.

Our recent underlying pro forma financial performance is as follows:

	2005/6 £m	2006/7 £m	**2007/8 £m**	Growth over last year %
Revenue	998	1,026	**1,003**	-2%
EBITDA	298	341	**380**	+11%
Operating profit	120	161	**198**	+23%

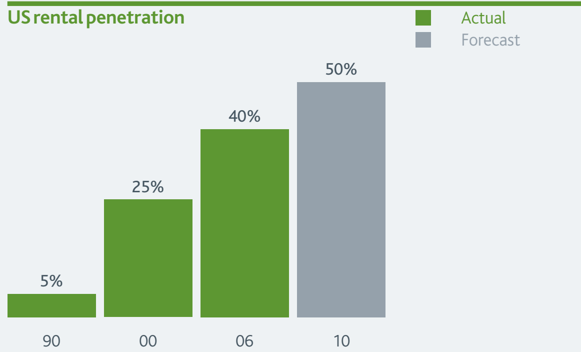
In the year to 30 April 2008 we achieved growth of 11% in underlying EBITDA and 23% in underlying operating profit on revenues which were broadly flat. This reflected the merger and closure of a net 43 profit centres to drive efficiency following the NationsRent acquisition, significantly reduced low margin new equipment sales previously undertaken by NationsRent, and substantial cost savings from the closure of the former NationsRent head office and the merger of the two regional operating structures, as well as good profits growth at A-Plant in the UK. This strong financial performance is discussed further below.

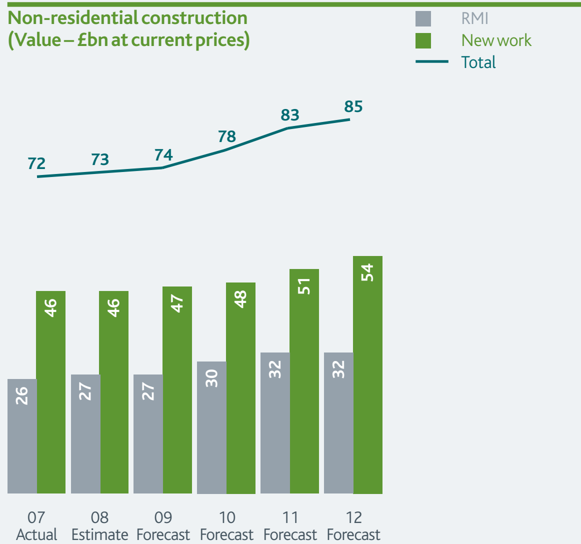
Our markets

The US

Sunbelt, our US construction and industrial equipment rental division, trades exclusively in the United States and operates 430 profit centres grouped into 50 Districts and 12 Regions. Despite general concerns in the past year about the US economy, our experience on the ground is that the US non-residential construction market, which constitutes the major end market for Sunbelt, continued to grow. According to figures from the US Department of Commerce, the value of non-residential construction grew by 11.6% in the year to April 2008. This growth, however, includes significant inflationary impacts in the cost of building materials such as steel, timber and

Business and financial review
Continued





concrete. According to Maximus Advisers, the volume of private non-residential structures completed, a better indicator of private sector rental equipment demand, rose approximately 5% over the past year.

In contrast, as has been well publicised, the US housing construction market was in recession in the past year with a reported 21% decline in value built. However, housing construction involves little equipment and constitutes only around 10% of Sunbelt's revenues. Accordingly Sunbelt has been largely unaffected by the US housing issues and instead delivered record margins and profits.

The US Department of Commerce divides non-residential construction into the following categories:

- Lodging
- Office
- Commercial
- Healthcare
- Educational
- Religious
- Public safety
- Amusement and recreation
- Transportation
- Communication
- Power
- Highway and street
- Sewage and waste disposal
- Water supply
- Conservation and development
- Manufacturing

Within these categories, office, public safety, transportation, power and manufacturing were reported as showing particularly strong growth rates in the past year. As is usual when construction is strong, it is the privately funded side which grew faster last year – 15.4% compared to 7.0% growth in publicly funded non-residential construction according to figures from the US Department of Commerce.

Moving forward, however, the public sector or institutional element of the market, which through the economic cycle tends to represent around 50% of the total and includes categories such as schools, hospitals and transportation, is expected to continue to grow. This will be driven significantly by the requirement for infrastructure following the significant population growth in the US in recent years (up from 280 million in 2000 to 303 million currently according to the US census bureau, and with one of the fastest annual growth rates amongst developed economies at 0.88% per annum for the US compared to 0.28% in the UK and 0.36% on average in Western Europe[1]).

Whilst the commercial element is more likely to be affected by a prolonged credit crunch and overall US economic development, industrial and manufacturing sectors remain strong aided by the weak US dollar which has made US based manufacturing competitive in global markets.

[1] Source: CIA World Factbook

Also, we are a 'late cycle' business in that we only derive revenues once the construction phase of any project has begun. Projects need to be planned, designed and funded before the construction contract can be let and it then takes time for the property to be built. Therefore, we expect to continue to benefit in the coming financial year from projects planned and funded prior to last summer, when the credit crunch and resulting economic uncertainty first became apparent.

The ongoing development of the rental market for construction equipment in the US has been a key driver of demand for our services. According to a survey conducted for the American Rental Association by Global Insight, an economic consultancy firm, the US equipment rental industry (excluding the party and event rental market in which Sunbelt does not participate) grew by 6.5% in 2007 to $34.3bn. In the past five years the survey shows that the US equipment rental market has grown at a compound average rate of 9% per annum.

This growth is in part driven by increased rental penetration or outsourcing of construction equipment in the US. Rental penetration is generally assessed as the proportion of manufactured product sold in the US by equipment manufacturers and dealers to the rental sector (who use it to supply the end user on a generally short-term, ad-hoc rental basis). The chart opposite shows the development in rental penetration between 1990 and 2010, as reported by external commentators on our industry.

We believe that this increased trend to rental in the US has the potential to continue for many years and consequently to support increased demand for our services. This view is based not only on the rental penetration in the more mature UK market which is estimated at around 80%, but also by the fact that one product type in the US, aerial work platforms, also exhibits around 80% penetration. Aerial work platforms are a more recently developed product than other types of construction equipment. Consequently, as demand grew, its manufacturers had no established dealer distribution network but instead saw the rental industry as the best means to distribute their product.

There are four large national equipment rental companies in the US as shown in the table below:

Name	Number of US stores	US rental revenues $bn	Approximate market share
United Rentals	600	2.3	7%
RSC	452	1.5	4%
Sunbelt Rentals	**430**	**1.4**	**4%**
Hertz Equipment Rental Co	248	1.1	4%

Like us, United Rentals, RSC and Hertz are publicly listed businesses. Beyond the top four, the market in which Sunbelt operates is characterised by a large number of small competitors. According to the 2007 survey of the larger companies in the industry conducted by RER Magazine, the rental revenues of the 100 largest rental companies in North America grew 4.3% to $13.9bn. These larger top 100 companies therefore represented 41% of the total rental market in 2007.

Future market trends

We expect that Sunbelt's development in coming years will be driven by:

- Increases in the size of the market, driven by growth in non-residential construction and increased outsourcing to the rental sector of their equipment needs by contractors
- The opportunity which exists for us and the other 'big four' providers to continue to gain market share from the smaller competitors over whom we enjoy significant operational advantages.

We anticipate that increased concerns over health and safety issues in the future will continue to lead contractors to increase their reliance on the use of outsourced equipment. This is because use of an outsourced specialist provides the contractor with the ability to rent exactly the right piece of equipment for the task at hand, as well as the assurance that the equipment will be of recent manufacture and maintained by an experienced, specialist workforce.

The UK

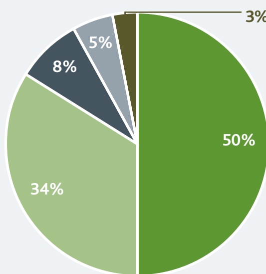
Our UK business trades under the A-Plant name and rents a similar range of equipment to Sunbelt, to a similar profile of general industrial and construction orientated customers. A-Plant operates 192 profit centres and serves a more mature market where rental penetration is estimated at 80%.

Market commentators expect the market to be largely stable in future years with growth driven by growth in GDP, together with the need for substantial infrastructure renewal in the UK (sewers, water, roads), as well as increased spending in areas such as nuclear power station decommissioning and replacement, and the 2012 Olympics. The forecast market development is shown in the chart opposite.

In the UK we enjoyed good market conditions generally in the past year, supported by major projects, such as Crossrail, the Olympics and utility infrastructure spending. This excellent pipeline of work across the UK in a broad range of market segments will, we believe, offset any potential slowdown in the development of high profile commercial office space, giving us confidence in the UK's medium-term outlook.

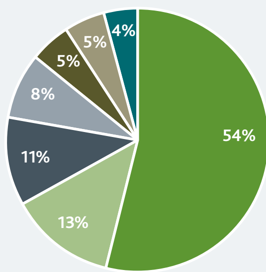
Business and financial review
Continued

Sunbelt fleet composition as at 30 April 2008



50% General plant
34% Aerial work platforms and telehandlers
8% Tools
5% Pump & power
3% Scaffolding

A-Plant fleet composition as at 30 April 2008



54% General plant
13% Aerial work platforms and telehandlers
11% Portable site accommodation
8% Tools
5% Acrow
5% Power generation
4% Traffic management

A-Plant is one of the top three equipment rental businesses in the UK with its key peers being shown in the table below:

Name	Number of stores	Revenue £m	Approximate market share
Speedy Hire	488	466	13%
A-Plant	**192**	**215**	**6%**
Hewden Stuart	100	200	6%
HSS	300	160	4%

Future market trends

We expect that A-Plant's development in coming years will be driven by:

- Market share gains from the large number of smaller competitors as health and safety concerns continue to drive the customer base to use the larger, more professional and better quality rental providers
- Stable construction markets which are likely to grow slightly faster than the rate of UK GDP because of the need for infrastructure renewal
- Investment in higher return product areas, such as our purchase of Lux Traffic in 2006

Our strategy

Ashtead aims to be a leader in the global equipment rental business by delivering strong returns for our investors through the exploitation of growth opportunities and by being world class at what we do. We aim to achieve these objectives by generating strong organic growth combined with growth through acquisition, as well as delivering high levels of customer satisfaction. To facilitate continuing development in a cyclical industry, we maintain a flexible business model that can make the most of periods of economic growth while also withstanding periods of economic downturn.

We believe that the Group's key strengths lie in its ability to manage and incentivise its staff to deliver strong returns on investment from a capital asset base comprising large numbers of individual assets, and in the computer systems it has developed to facilitate this. These skills were first applied successfully in the UK through A-Plant and then in the US, where Sunbelt has now grown to be four times larger than A-Plant in a substantially larger market.

We constantly review our strategy and the makeup of the business to ensure it is delivering on our stated objectives. At times it may be appropriate for the Group to change its portfolio of product types and the geographical markets in which it applies its key strengths. The review process through 2007/8 resulted in the decision to divest the Ashtead Technology business which is discussed below.

Our business model

The Group focuses on equipment rental. During 2007/8 approximately 94% of our revenue was derived from equipment rental and rental-related services, with the balance coming from sales of new equipment, parts and associated goods, such as equipment accessories. The Group believes that this focused and dedicated approach improves the effectiveness of its rental sales force by encouraging them to build and reinforce relationships with customers and to concentrate on strong, whole-life returns from our rental fleet, rather than on short-term returns from sales of equipment.

Our operating model is key to the way we deliver returns and encompasses the following elements:

- Our local management teams are highly incentivised to produce superior financial returns and high quality standards. We continue to develop the management teams to meet the demands of this changing industry.
- Our sales forces are incentivised to target higher return rental opportunities, as well as a high volume of contracts overall. We believe that our sales force commission plans are amongst the best in the industry.
- In the US we achieve scale through a 'clustered market' approach of grouping our rental locations into clusters of three to 15 locations in each of our developed markets throughout the US. Sunbelt has developed such 'clustered markets' in 37 major cities including Washington DC, Dallas, Houston, Charlotte, Atlanta, Orlando and Seattle. 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.
- In the smaller geography of the UK, our strategy is focused on having sufficient profit centres to allow us to offer a full range of equipment on a nationwide basis. We continue to invest in migrating our network towards larger locations which are able to address all the needs of our customers in the major markets.
- We provide a wide range of equipment within our rental fleets to maximise the extent to which we can fulfil our customers' needs.
- We also aim to offer a full service solution for our customers. Our product range includes specialist equipment types such as pump and power, scaffolding and traffic management systems which involve providing service expertise as well as equipment.
- We invest heavily in our computerised point of sale and service systems. We use these systems not only to help us manage our business to deliver strong financial returns, but also to meet the needs of our customers. We deployed some of the first extranets in the industry in both the US and UK to provide qualifying customers with complete information on the equipment they have on rent and the status of their account. More recently we have deployed PDAs to capture and record the time of delivery and the customer's signature electronically, allowing us to systematically monitor and report on on-time deliveries. We also use electronic tracking systems to monitor and secure the location and usage of large equipment.

The flexibility inherent in our business model allows us to focus on generating free cash flow. When the economy is expanding, we utilise this free cash flow to increase investment in our rental fleet to support revenue, EBITDA and earnings growth and reduce the age of our rental fleet. In a less favourable economic environment, we reduce the rate at which we invest in new equipment and increase the age of our rental fleet, which consequently increases free cash flow. Our fleet age and mix are currently at optimal levels, giving us flexibility to utilise our free cash flow in ways other than investing in fleet de-ageing.

Our rental fleets

Our fleet mix is broadly similar to that of our large peers. However, we differentiate our business both by emphasising smaller equipment types which we believe offer the potential for higher returns and in the manner in which we incentivise our staff.

With strong market conditions for the majority of the year, £126.0m of rental equipment capital expenditure was spent on growth (including for reinvestment in connection with the NationsRent fleet reconfiguration) whilst £168.8m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that maintenance capital expenditure in any period is equal to the original cost of equipment sold. Investment at A-Plant was high as we invested to de-age and grow the fleet in good market conditions.

Sunbelt's fleet age at 30 April 2008 was 34 months on a net book value basis comprising 38 months for aerial work platforms which have a longer life and 30 months for the remainder of the fleet. The cost of Sunbelt's fleet by asset type is summarised in the chart opposite.

It is the needs of our customers that drive the composition of our equipment fleet with the size, age and mix of our equipment rental fleet driven by our diversified customer base. The equipment we provide to each customer is equally diverse and we are often involved in supplying various types of different equipment over a number of years at each distinct stage of a project's development.

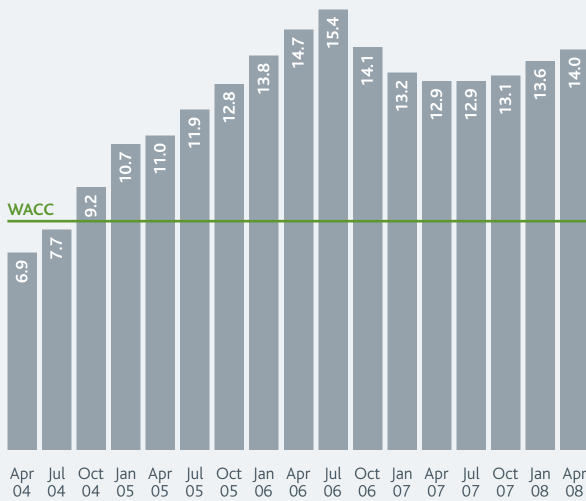
The breadth of our fleet mix means that rental opportunities exist not only in new build construction, but also in a wide range of other applications including industrial, events and facilities management. Now that we have a nationwide network, a particular focus is to extend our penetration of larger national and regional customers where certain of our competitors currently hold a greater market share. These larger rental opportunities are, however, tendered regularly and we are investing in people and systems to ensure we are well placed to gain new business in this area of opportunity for us now we are able to offer the requisite coverage.

A-Plant's fleet is also young and well-maintained like that of Sunbelt, with an average age at 30 April 2008 on a net book value basis of 23 months (2007: 29 months). The cost of A-Plant's fleet is analysed by asset category in the chart opposite.

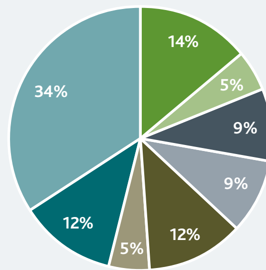
Business and financial review

Continued

Group return on investment (%)

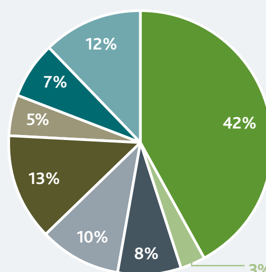


Sunbelt



- 14% Commercial construction
- 5% Government & institutional
- 9% Industrial, manufacturing & agriculture
- 9% Infrastructure
- 12% Non-construction services
- 5% Residential construction
- 12% Small contractor/DIY
- 34% Speciality trade contractors

A-Plant



- 42% Commercial construction
- 3% Government & institutional
- 8% Industrial, manufacturing & agriculture
- 10% Infrastructure
- 17% Non-construction services
- 1% Residential construction
- 7% Small contractor/DIY
- 12% Speciality trade contractors

Return on Investment

One of the key performance indicators we use to monitor our businesses at all levels is return on investment. Overall for the Group as a whole it is critical that, averaged across the economic cycle, we deliver RoI[1] well ahead of our cost of capital (WACC). In particular, we drive RoI by the incentivisation of our people to deliver superior returns. Through our monthly paid profit share programmes, all our staff have the opportunity to enhance their earnings based on the returns delivered by the profit centre in which they work.

Although RoI was reduced by the acquisition in August 2006 of the lower margin NationsRent business, substantial progress has since been made in rebuilding RoI to previous levels. The adjacent chart also shows that through the last cycle since our fiscal year ended April 2004, the Group has earned an average RoI of 12.2% – well ahead of our cost of capital.

The Group strives to maximise its return on investment through a combination of measures. In addition to our monthly "profit-share" programme, we encourage effective management of invested capital by:

- maintaining a concentration of higher-return (often specialised) equipment within the overall rental equipment fleet;
- promoting the transfer of equipment to locations where maximum utilisation rates and returns can be obtained;
- monitoring the amount of invested capital at each of our profit centres; and
- empowering regional and local managers to adapt pricing policies in response to local demand in order to maximise the overall return achieved from our investment in our rental fleet.

As mentioned above, the way in which our business lags the economy by 12-18 months allows us to plan ahead and adjust our business model in line with economic forecasts.

1. Return on investment is defined as underlying operating profit divided by the weighted average net operating assets, including goodwill. Debt and deferred tax are excluded.

Our customers

Our business is highly diverse. Our customers range in size and scale from multinational businesses, through strong local contractors to individual do-it-yourselfers. In the year to April 2008, we dealt with over 800,000 customers. In Sunbelt we wrote 1.9m rental contracts with an average value of $630 per contract and issued 2.8m invoices. Our UK business, A-Plant, though smaller is almost as diverse. It wrote 0.5m rental contracts and issued 1.2m in invoices in the year to April 2008. In the UK, we have focused in recent years, on building deeper relationships with our larger customers which number 150 and accounted for 45% of our 2007/8 revenues.

The Group's diversified customer base includes construction, industrial and homeowner customers, as well as government entities and specialist contractors and is analysed by Standard Industry Classification in the tables opposite.

We have dealt with many of our customers for many years. Our experience is that we gain a large amount of repeat business. Our operating methods and focus on customer service aim to support and enhance this. We guarantee our service standards in both our businesses and voluntarily accept financial penalties if we fail to meet our commitments to our customers. We believe that our focus on customer service and these guarantees help distinguish our businesses from competitors and assist us in delivering superior financial returns.

As a large portion of the Group's customer base comes from the commercial construction and industrial sectors, the Group is dependent on levels of commercial construction or industrial activity. The factors which influence this activity include:

- the strength of the US and UK economies over the long-term, including the level of government spending;
- the level of interest rates; and
- demand within business that drives the need for commercial construction or industrial equipment.

However, the Group's geographical scale and diversified customer base assist in mitigating the adverse impact of these factors on the Group's performance through:

- reducing the impact of localised economic fluctuations on our overall financial performance;
- reducing our dependence on any particular customer or group of customers; and
- enabling us to meet the needs of larger customers who have a wide range of equipment needs.

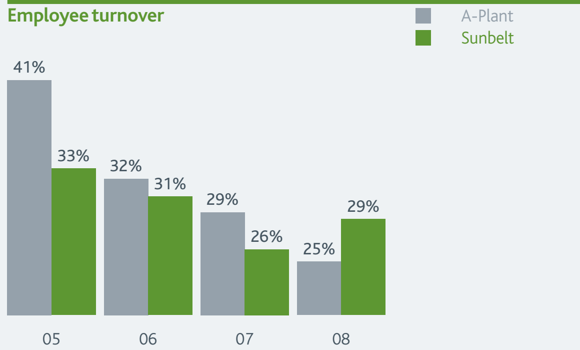
Our suppliers

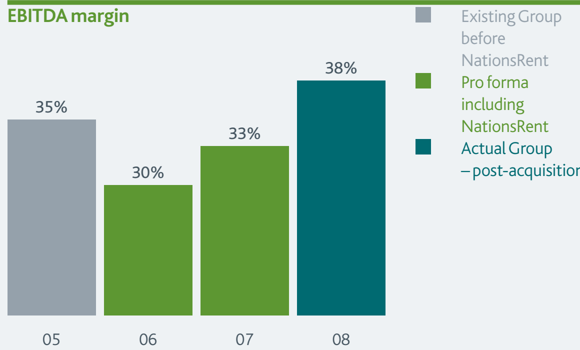
Like other large participants in the industry, the Group purchases large amounts of equipment, parts and other items from its suppliers. The Group's capital expenditure on rental equipment for 2007/8 was £295m (2007: £256m). We believe that this level of capital expenditure enables us to negotiate favourable pricing, warranty and other terms with our suppliers which provide us with a competitive advantage over smaller operators.

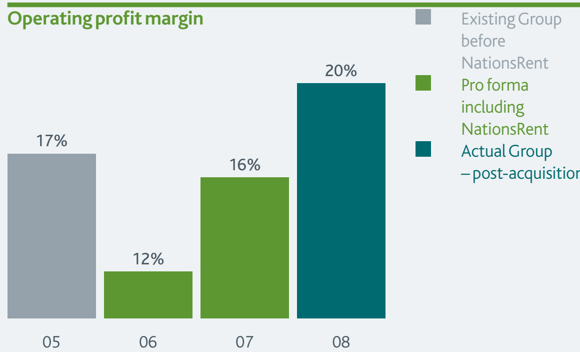
Across our rental fleet, we generally seek to carry equipment from one or two manufacturers in each product range and to limit the number of model types of each product. We believe that having a standardised fleet results in lower costs because we obtain greater discounts by purchasing spare parts in bulk and reduce maintenance costs through more focused, and therefore reduced, training requirements for our workshop staff. We are also able to share spare parts between profit centres which helps to minimise the risk of over stocking.

We purchase equipment from vendors with strong reputations for product quality and reliability and maintain close relationships with these vendors to ensure good after purchase service and support. However, we believe the Group has sufficient alternative sources of supply for the equipment it purchases in each of its product categories.

Business and financial review
Continued







Our people

We are a service business and we differentiate ourselves by the strength of our service offering.

Central to our service offering are our people. We now have a strong Ashtead team in excess of 9,000. The nature of our business requires skilled, entrepreneurial individuals working within a highly devolved structure. We achieve this through a dedication to training and an industry leading reward and recognition scheme. The rental industry generally suffers from high staff turnover, particularly within certain job categories and within the first year of employment. We have made generally good progress in improving our staff retention in recent years as shown in the adjacent chart although there was an increase in employee turnover at Sunbelt last year following the NationsRent acquisition. We expect that this will prove to be temporary and that Sunbelt will resume its improving path in the coming year.

Both businesses have extensive programmes in place to ensure the:

- recruitment of appropriate personnel to fulfil vacancies caused by promotion, turnover and growth
- ongoing training and development of employees at all levels throughout the organisation
- alignment of our employees with the Company's objectives, particularly in relation to customer service
- appraisal, review and reward of our employees.

These processes are subject to periodic review and development especially in response to changing business needs and market conditions.

We motivate and reward our people through our local profit share programmes. These are based at the profit centre level and apply to all personnel at the profit centre, irrespective of length of service. They are generally paid monthly which gives immediate returns for good performance. Payment of profit share at any profit centre is based exclusively on that store's performance and is dependent on the level of store return on assets. Senior management is remunerated separately using similar criteria while the sales force is incentivised based on sales volume and a broad measure of return on investment determined by reference to equipment type and discount level.

We invest heavily in training and in the past year continued to focus our efforts particularly on the staff who joined the Group on 31 August 2006 with the NationsRent acquisition. Sunbelt trained over 15,000 staff whilst A-Plant trained over 3,000 staff.

Results

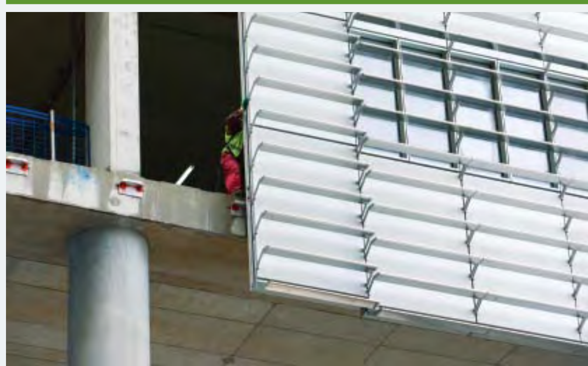
Group summary

	Revenue		EBITDA		Operating profit	
	2008	2007	**2008**	2007	**2008**	2007
Sunbelt in $m	**1,528.1**	1,307.9	**598.9**	475.0	**330.9**	253.1
Sunbelt in £m	**761.3**	684.6	**298.4**	248.6	**164.9**	132.5
A-Plant	**214.8**	189.9	**73.2**	58.9	**30.2**	20.1
Group central costs	**–**	–	**(7.9)**	(8.2)	**(8.0)**	(8.3)
Total continuing operations	**976.1**	874.5	**363.7**	299.3	**187.1**	144.3
Ashtead Technology	**26.5**	21.6	**16.3**	11.0	**10.6**	6.2
	1,002.6	896.1	**380.0**	310.3	**197.7**	150.5
Net financing costs					**(74.8)**	(69.1)
Profit before tax, exceptionals and amortisation					**122.9**	81.4
Exceptional items					**–**	(106.9)
Amortisation					**(2.6)**	(11.0)
Profit/(loss) before taxation					**120.3**	(36.5)

It was an excellent year for the Group with all three divisions trading strongly in good market conditions. As a result, underlying operating profit increased to £197.7m, an increase of 37% at constant exchange rates and 31% at actual rates. Underlying pre-tax profit grew by 51% to £122.9m. Underlying basic earnings per share rose 44% to 14.8p.

These results demonstrate the benefits of the margin improvement and integration activities undertaken since the NationsRent acquisition. Both our EBITDA and our operating margins now exceed those we achieved prior to the acquisition, as shown in the charts opposite.

In the discussion on the business performance that follows, we show not only the comparison with the reported underlying performance (being before exceptional items, remeasurements and amortisation of intangible assets) in the year to 30 April 2007 but also with a pro forma combination of Sunbelt with NationsRent (acquired August 2006) and of A-Plant with Lux Traffic (acquired October 2006).



Business and financial review
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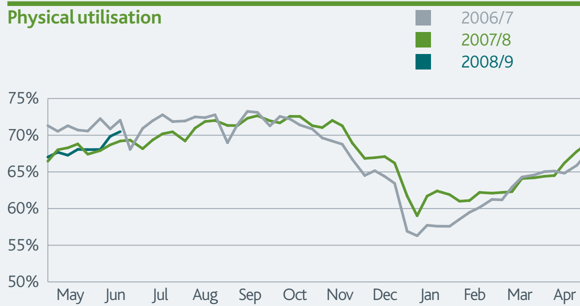
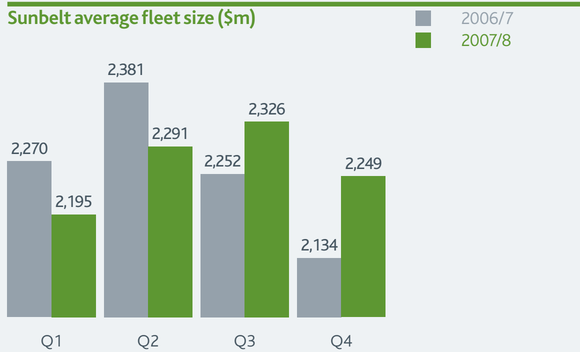




Sunbelt

	2008 $m	2007 $m	Growth
Revenue			
As reported	**1,528.1**	1,307.9	+17%
NationsRent	**–**	230.7	
Pro forma combined	**1,528.1**	1,538.6	-1%
Underlying operating profit			
As reported	**330.9**	253.1	+31%
NationsRent	**–**	19.2	
Pro forma combined	**330.9**	272.3	+21%
Pro forma margin	**21.7%**	17.7%	

Sunbelt's performance for the year following the transformational acquisition of NationsRent in August 2006 was excellent.

The focus remained throughout the year on establishing a cost efficient infrastructure for profitable future growth. The success of this work is demonstrated by the operating profit of $330.9m, an increase of 21% on a pro forma basis. Profit margins rose from 17.7% to 21.7%, better than those previously enjoyed by Sunbelt alone.

These improvements were achieved by above expectation cost reductions, with 2007/8 operating costs excluding depreciation $82m lower than 2006/7 costs despite significant inflationary pressure in certain key cost areas such as fuel.

Total revenue remained broadly flat at $1.5bn due to our curtailment of the low margin sales of new equipment previously undertaken by NationsRent whilst rental and rental related revenues grew 2% to $1.4bn on a pro forma basis. Within this there were major regional variations, with areas of weakness such as the well publicised challenges in Florida being more than offset by good growth elsewhere.

The 2% pro forma total rental and rental related revenue growth was achieved with a combined fleet that was, on average, 1% larger than last year measured across the year as a whole. However, the fleet was 1% smaller on average for the first three quarters of the year, as we focused on improving physical utilisation which for the full year averaged 68%. In the fourth quarter, physical utilisation was 64% (2007: 62%) whilst the average fleet size grew 6%. We also gained an increased share of larger, longer-running projects which will provide good momentum into the new financial year.

With our enlarged national footprint, we are increasingly targeting larger regional and national accounts where the profile of business is different from our historical mix. Whilst this work tends to be at lower rates, rental periods are longer. This benefits margins by improving physical utilisation and reducing transactional costs. We intend to continue this strategy of rebalancing our customer mix.

Whilst the current period of economic uncertainty will affect certain sectors of the market in the short term, particularly private

commercial investment, other areas such as institutional expenditure and industrial markets are likely to remain more robust. We are a late cycle business with only 5% market share and continue to perform well. These factors, together with self-help available in a number of the acquired profit centres, contribute to our optimism regarding Sunbelt's performance in the coming year.

A-Plant

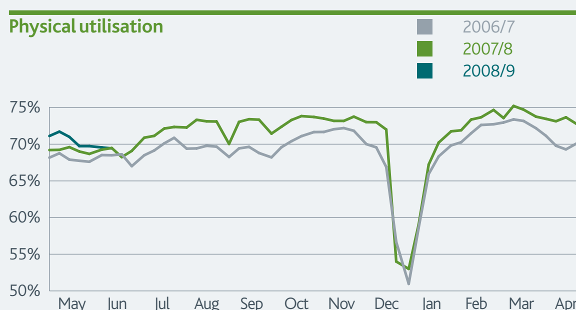
	2008 £m	2007 £m	Growth
Revenue			
As reported	**214.8**	189.9	+13%
Lux Traffic	–	9.5	
Pro forma combined	**214.8**	199.4	+8%
Underlying operating profit			
As reported	**30.2**	20.1	+50%
Lux Traffic	–	0.6	
Pro forma combined	**30.2**	20.7	+46%
Pro forma margin	**14.1%**	10.4%	

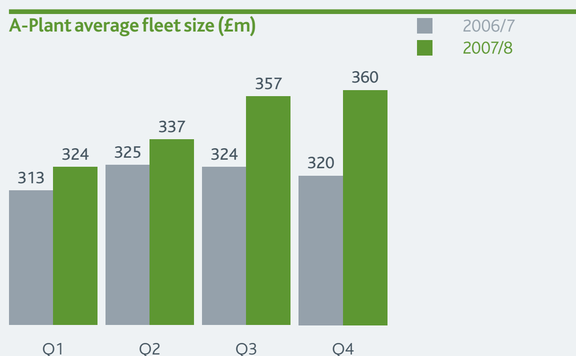
A-Plant performed strongly throughout the year with market share gains generating organic like for like revenue growth of 8%. This growth was achieved by focusing on the value added products and services required by our customers. We are now the market leader in providing a combined plant and tool product offering which has proven particularly attractive to our larger customers. This growth was supported by 8% growth in average fleet size and a specific programme of investment in de-ageing which has resulted in a fleet age of 23 months at 30 April 2008, down from 29 months a year ago.

Whilst the focus on major contractors can have a negative impact on our pricing yield, it also provides a number of other opportunities in terms of improved physical utilisation (71% for the year compared to 69% in 2006/7) and reduced infrastructure cost. Our initiative in April 2007 to move to fewer, larger depots has clearly delivered results, with a 46% increase in A-Plant's underlying operating profit to £30.2m. Margins improved significantly from 10.4% in 2006/7 to 14.1% in 2007/8.

In the fourth quarter the average fleet size grew 12% and we enjoyed average physical utilisation of 74% (2007: 71%). Underlying operating profit grew 42% to £8.4m. We therefore enter the coming year with strong momentum.

Whilst economically there are now areas of difficulty in the UK, notably the residential market and new commercial offices, the overall picture for our served market remains healthy. Infrastructure and utility work remains good and we are well positioned to benefit from major projects such as the Olympics, Crossrail, M25 widening and changes to the energy infrastructure. These factors, together with the opportunity to drive further market share gains from A-Plant's current single digit market share, give us confidence in the prospects for the year ahead.





Business and financial review
Continued

Ashtead Technology

	2008 £m	2007 £m	Growth*
Revenue	**26.5**	21.6	+23%
Operating profit	**10.6**	6.2	+72%
Margin	**40.0%**	28.7%	

* At constant exchange rates

In good markets, aided by a very strong oil price, Ashtead Technology continued to deliver excellent revenue and profit growth.

On 23 June, we announced the sale of Ashtead Technology to Phoenix Equity Partners for £95.6m. Our strategic review concluded that Ashtead Technology was a non-core, niche business serving different markets and customers to the rest of the Group. The Board believes that the disposal price achieved represents good value for shareholders. The disposal proceeds will be applied to reduce debt.

Exceptional items and amortisation of acquired intangibles
Following substantial exceptional charges, fair value remeasurements and amortisation last year of £117.9m, mostly in connection with the NationsRent acquisition and its integration with Sunbelt, this year there is only a small £2.6m charge relating to the ongoing amortisation of acquired intangible assets.

Net financing costs
Net financing costs, before exceptional costs and fair value remeasurements, increased from £69.1m to £74.8m, reflecting principally higher average debt levels following the NationsRent acquisition. The average interest rate payable at 30 April 2008 on all of our debt facilities (including the impact of amortisation of deferred debt raising costs) was 6.5%.

Profit before taxation
There was a profit before taxation of £109.7m compared with a loss of £42.7m in 2007. Underlying profit before tax, including Technology, grew 51% to £122.9m compared to last year's £81.4m.

Taxation
The effective tax rate on underlying pre-tax profits for the year was 35% (2007: 35%) and this is expected to remain at around 35% in coming years. In addition, there was a £1.6m exceptional tax charge to write down the UK deferred tax asset to reflect the reduction in the rate of UK corporation tax from 30% to 28% effective 1 April 2008.

The tax charge again comprised mostly deferred tax, with cash tax payments only amounting to approximately 5% of profits, due to available tax losses and the accelerated tax depreciation available due to the capital intensive nature of the business. Following the introduction of a 'like kind exchange' programme at Sunbelt effective from 1 May 2008 and with the benefit of US bonus depreciation as part of the economic stimulus measures introduced earlier this year, the cash tax rate is expected to remain in single digits in 2008/9 and to continue to be well below the effective 35% long term accounting tax rate for several more years.

Earnings per share
Basic earnings per share for the year were 14.2p (2007: 1.5p) and 14.1p (2007: 1.5p) on a fully diluted basis. Underlying earnings per share grew 44% to 14.8p (2007: 10.3p) whilst, on a cash tax basis, underlying earnings per share were 21.4p (2007: 15.8p).

Underlying earnings per share at constant exchange rates were 45% above the 11.3p delivered in 2005/6, immediately prior to the NationsRent acquisition giving compound annual growth of 20% per annum at constant exchange rates (14% per annum at actual exchange rates) over the past two years, notwithstanding the enlarged share capital following the NationsRent acquisition.

Dividends
The Board is proposing a final dividend of 1.675p (2007: 1.1p) making 2.5p for the year (2007: 1.65p), an increase of 52%. If approved by shareholders at the forthcoming Annual General Meeting, the final dividend will be paid on 26 September 2008 to shareholders on record as of 5 September 2008.

Current trading and outlook
Current trading is in line with our expectations, with both Sunbelt and A-Plant delivering improved year on year performance in May.

We continue to enjoy high levels of utilisation and expect to benefit further from the momentum established in the Group. Therefore, despite the current economic uncertainty, the Board anticipates the Group continuing to trade in line with its expectations in the coming year.

Balance sheet

Fixed assets

Capital expenditure in the year was £331.0m of which £294.8m was invested in the rental fleet (2007: £290.2m in total). Disposal proceeds totalled £77.9m (2007: £89.1m) giving net expenditure of £253.1m (2007: £201.1m).

Expenditure on rental equipment was 89% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and to computer equipment. Capital expenditure by division was as follows:

	Growth	Maintenance	2008 Total	2007 Total
Sunbelt in $m	**168.4**	**183.8**	**352.2**	348.2
Sunbelt in £m	**85.0**	**92.8**	**177.8**	174.2
A-Plant	**35.0**	**73.3**	**108.3**	73.8
Continuing operations	**120.0**	**166.1**	**286.1**	248.0
Ashtead Technology	**6.0**	**2.7**	**8.7**	8.4
Total rental equipment	**126.0**	**168.8**	**294.8**	256.4
Delivery vehicles, property improvements and computers			**36.2**	33.8
Total additions			**331.0**	290.2

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2008 was 31 months (2007: 31 months) on a net book value basis. Sunbelt's fleet had an average age of 34 months (2007: 32 months) comprising 38 months for aerial work platforms which have a longer life and 30 months for the remainder of the fleet and A-Plant's fleet had an average age of 23 months (2007: 29 months).

As mentioned earlier, our rental fleet in all divisions has now reached an age and mix which we consider optimum. Accordingly, we expect significantly reduced capital expenditure next year at approximately £230m gross and £175m net of disposal proceeds. Around £180m of the gross expenditure will be for replacement, with £50m of investment for growth (3% of current fleet size).

The original cost of the Group's rental fleet and the dollar and physical utilisation for the year ended 30 April 2008 are shown below:

	Rental fleet at original cost			Rental and rental related revenues	Dollar utilisation	Physical utilisation
	30 April 2008	30 April 2007	Average			
Sunbelt in $m	**2,314**	2,147	2,289	1,422	62%	68%
Sunbelt in £m	**1,168**	1,074	1,140	709	62%	68%
A-Plant	**360**	321	346	209	60%	71%
Ashtead Technology	**47**	39	44	26	60%	
	1,575	1,434	1,530	944	62%	

Business and financial review
Continued

Dollar utilisation is defined as rental and rental related revenues divided by average fleet at original (or 'first') cost. Physical utilisation is time based utilisation which is calculated as 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 physical utilisation on those items in our fleet with an original cost of $7,500 or more which constituted approximately 90% of our US serialised rental equipment at 30 April 2008. In the UK, physical utilisation is measured for all our serialised rental equipment.

Prior to the NationsRent acquisition, Sunbelt achieved dollar utilisation approaching 70% in a very busy market. Its performance at that time was also aided by its significant geographical representation in Florida where utilisation and price were then very high following two active hurricane seasons. Now that Sunbelt has a national footprint which brings with it greater exposure to markets where outside construction is severely limited during the winter, our objective is, over time, as we increase the physical or time utilisation achieved from the acquired fleet, to achieve dollar utilisation of between 63% and 65%.

The 60% dollar utilisation achieved by A-Plant in the past year reflects the lower pricing (relative to equipment cost) prevalent in the competitive UK market and its higher physical utilisation. In the UK our objective is to operate with dollar utilisation of between 57% and 62%.

Assets held for sale
This category comprises the assets of Ashtead Technology which has also been classed as a discontinued operation in the income statement.

Trade receivables
Continued active collection efforts which produced an improved position in the former NationsRent businesses contributed to a reduction in receivable days to 49 days (2007: 54 days). The bad debt charge for the year ended 30 April 2008 as a percentage of total turnover was 0.8% (2007: 0.7%).

Trade and other payables
Group payable days were 70 days in 2008 (2007: 72 days). Capital expenditure related payables at 30 April 2008 totalled £24.1m (2007: £47.0m). Payment periods for purchases other than rental equipment vary between 7 and 45 days and for rental equipment between 30 and 120 days.

Provisions
Provisions of £27.9m (2007: £32.3m) relate to the provision for self-insured retained risk under the Group's self insurance policies, as well as to the vacant property provisions.

The Group's business exposes it to 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 liability insurance programmes provide that we can only recover the liability related to any particular claim in excess of an agreed excess amount of typically between $500,000 and $2m depending on the particular liability programme. In certain, but not all cases, this liability excess amount is subject to an annual cap, which limits the Group's maximum liability in respect of these excess amounts. Our insured liability coverage is limited to a maximum of £150m per occurrence.

Pensions
The Group operates a number of pension plans for the benefit of its employees, for which the overall charge included in the financial statements was £4.8m (2007: £4.7m). Amongst these, the Group now has just one defined benefit pension plan which covers approximately 220 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 IAS 19, Employee Benefits, £5.8m in surplus at 30 April 2008. During the year, asset values decreased by £7.2m against the expected return on plan assets of £4.3m included in the income statement. However, offsetting this impact was the benefit of changes in the required market linked discount rate which increased from 5.5% in 2007 to 6.25% in 2008, reducing the value of liabilities by £6.6m. Accordingly there was a net actuarial loss of £0.6m in the year, which was taken direct to the statement of recognised income and expense.

Following the 2007 triennial actuarial valuation of the pension fund, which reflects the requirements of the Pensions Act 2006, the minimum level of annual contributions has increased significantly. Accordingly, under IAS 19, the surplus in the plan can no longer be recognised on the balance sheet as the Company cannot access it directly; rather it has instead been written off through reserves.

Return on investment and return on equity

Group return on investment improved to 14.0% (2007: 12.9%), reflecting improving performance in Sunbelt and A-Plant. RoI for Sunbelt was 14.4% (2007: 14.0%) whilst RoI at A-Plant continued its recently improving trend and was 10.9% (2007: 8.8%). Both businesses therefore now return well above our weighted average cost of capital.

Aided by the beneficial impact of using lower cost, tax deductible debt to finance a significant part of our fleet investment, the after tax return on equity was 19.0% (2007: 15.3%) producing strong accretive returns for shareholders.

Financial management and cash flow

Cash flow

Free cash flow (defined as the net cash inflow from operations less net maintenance capital expenditure, financing costs paid and tax paid) is summarised below:

	Year to 30 April 2008 £m	2007 £m
EBITDA before exceptional items	**380.0**	310.3
Cash inflow from operations before exceptional items	**356.4**	319.3
*Cash efficiency ratio**	***93.8%***	*102.9%*
Maintenance rental capital expenditure	**(195.3)**	(213.1)
Non-rental capital expenditure	**(35.8)**	(32.3)
Proceeds from sale of used rental equipment	**92.7**	78.5
Tax paid	**(6.4)**	(5.0)
Free cash flow before interest	**211.6**	147.4
Financing costs paid	**(76.4)**	(64.2)
Free cash flow after interest	**135.2**	83.2
Growth capital expenditure	**(120.4)**	(62.9)
Dividends paid	**(10.5)**	(7.0)
Cash flow available for acquisitions, buy-backs and debt paydown	**4.3**	13.3
Acquisitions and disposals	**(5.9)**	(327.2)
Issue of ordinary share capital	**0.5**	148.9
Purchase of own shares by the Company	**(22.9)**	–
Purchase of own shares by ESOT	**(1.6)**	(4.9)
Exceptional costs paid (net)	**(9.5)**	(68.8)
Increase in net debt	**(35.1)**	(238.7)

* Cash inflow from operations before exceptional items as a percentage of EBITDA before exceptional items.

Cash inflow from operations increased 11.6% to £356.4m and the cash efficiency ratio was 93.8% (2007: 102.9%) as trade receivables normalised following the NationsRent acquisition. Net cash capital expenditure in the year ended 30 April 2008 increased to £258.8m (2007: £229.8m) reflecting investment in de-ageing, in the US fleet reconfiguration and in fleet growth at A-Plant. Tax payments remain low reflecting tax depreciation in excess of book and utilisation of tax losses. Financing costs paid exceed the accounting charge in the income statement due to the timing of interest payments in the year, with accrued unpaid interest at 30 April 2008 totalling only £9.8m (2007: £13.5m).

The Group continues to generate strong free cash flow after interest, with £135.2m (2007: £83.2m) generated in the year. With our expectation of lower growth investment in the coming year, we expect to deliver significant debt reduction by April 2009.

Net debt

	2008 £m	2007 £m
First priority senior secured bank debt	**556.2**	506.1
Finance lease obligations	**15.2**	22.0
8.625% second priority senior secured notes, due 2015	**122.2**	120.6
9% second priority senior secured notes, due 2016	**271.4**	268.3
	965.0	917.0
Cash and cash equivalents	**(1.8)**	(1.1)
Total net debt	**963.2**	915.9

Group net debt increased from £915.9m at 30 April 2007 to £963.2m at 30 April 2008, reflecting the investment made in the fleet during the year and the £22.9m spent on share buy-backs. The ratio of net debt to EBITDA was 2.5 times down from 2.7 times at April 2007, as underlying EBITDA increased to £380m. From a leverage position of around 3 times when the NationsRent acquisition closed in August 2006, the Group has therefore already delevered towards the mid point of our long term 2 to 3 times net debt to EBITDA target.

As explained above, with the US fleet reconfiguration complete and with both the US and UK fleets in excellent shape, we anticipate significant free cash flow in the coming year which we expect to apply largely towards debt pay-down. Together with the proceeds from the Technology sale, we therefore anticipate bringing our net debt to EBITDA leverage towards the lower end of our 2 to 3 times target range by April 2009.

Business and financial review
Continued

The Group's debt facilities are now committed for a weighted average period of approximately five years with the earliest significant maturity being in August 2011. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 6.5%, most of which is tax deductible in the US where the tax rate is 39%.

The Group's principal debt facilities are as follows:

Asset based first priority, secured bank debt
The $1.75bn first priority asset based senior secured loan facility ('ABL facility') consists of a $1.5bn revolving credit facility and a $250m term loan and is secured by a first priority interest in substantially all of the Group's assets. Pricing for the revolver loan is based on the ratio of funded debt to EBITDA according to a grid which varies, depending on leverage, from LIBOR plus 225bp to LIBOR plus 150bp. At 30 April 2008, the Group's borrowing rate was at the bottom of the grid range being LIBOR plus 150bp. The term loan is priced at LIBOR plus 175bp.

The ABL facility carries minimal amortisation of 1% per annum ($2.5m) on the term loan and is otherwise fully committed until August 2011. As the ABL facility is asset-based, the maximum amount available to be borrowed (which includes drawings in the form of standby letters of credit) depends on asset values (receivables, inventory, rental equipment and real estate) which are subject to periodic independent appraisal.

The ABL facility includes two financial performance covenants which are:
- funded debt to EBITDA before exceptional items not to exceed 4.25 times (4.0 times from April 2009); and
- a fixed charge ratio comparing EBITDA before exceptional items less net capital expenditure paid in cash to the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid, which is required to be equal to, or greater than, 1.1 times.

However, these covenants are not required to be adhered to when availability (the difference between the borrowing base and facility utilisation) exceeds $125m. At 30 April 2008 availability under the bank facility, including suppressed availability of $10m, was $602m ($589m at 30 April 2007). Although the covenants were therefore not required to be measured at 30 April 2008, the Group was in compliance with both of them at that date.

Because of the significant excess availability, together with the fact that neither of the Group's other debt facilities (the senior secured notes due 2015 and 2016) contain regularly measured financial covenants, the Group does not expect to have to adhere to any quarterly monitored financial performance covenants in the coming year.

8.625% second priority senior secured notes due 2015 having a nominal value of $250m
On 3 August 2005, the Group, through its wholly owned subsidiary Ashtead Holdings plc, issued $250m of 8.625% second priority senior secured notes due 1 August 2015. The notes are secured by second priority security interests over substantially the same assets as the first priority senior secured credit facility and are also guaranteed by Ashtead Group plc.

9% second priority senior secured notes due 2016 having a nominal value of $550m
On 15 August 2006, the Group, through its wholly owned subsidiary Ashtead Capital, Inc., issued $550m of 9% second priority senior secured notes due 15 August 2016. The notes are secured by second priority security interests over substantially the same assets as the senior secured credit facility and are also guaranteed by Ashtead Group plc. The two note issues rank pari passu on a second lien basis.

Under the terms of both the 8.625% and 9% 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. Interest is payable on the 8.625% notes on 1 February and 1 August of each year and on the 9.0% notes on 15 February and 15 August. Both senior secured notes are listed on the Official List of the UK Listing Authority.

The change of control provisions in the ABL facility and the two secured notes issues are discussed in the Directors' Report.

Minimum contracted debt commitments

The table 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 2008 by year of expiry:

	Payments due by year ended 30 April						
	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	Thereafter £m	Total £m
Bank and other debt	1.3	1.3	1.3	557.3	–	–	561.2
Finance leases	6.3	5.7	3.0	0.2	–	–	15.2
8.625% senior secured notes	–	–	–	–	–	126.2	126.2
9.0% senior secured notes	–	–	–	–	–	277.7	277.7
	7.6	7.0	4.3	557.5	–	403.9	980.3
Deferred costs of raising finance	–	–	–	(5.0)	–	(10.3)	(15.3)
Cash at bank and in hand	(1.8)	–	–	–	–	–	(1.8)
Net debt	5.8	7.0	4.3	552.5	–	393.6	963.2
Operating leases[1]	37.3	30.1	25.0	21.8	19.4	93.1	226.7
Total	43.1	37.1	29.3	574.3	19.4	486.7	1,189.9

1. Represents the minimum payments to which we were committed under operating leases.

Operating leases relate principally to properties (most of which are leased) which constituted 99% (£224.0m) of our total minimum operating lease commitments. There are also a few remaining operating leases relating to the vehicle fleet which constituted the remaining 1% (£2.7m) of such commitments.

Except for the off balance sheet operating leases described above, £15.7m ($31.1m) of standby letters of credit issued at 30 April 2008 under the first priority senior debt facility relating to the Group's self insurance programmes and $2.8m of performance bonds granted by Sunbelt, we have no material commercial commitments that we could be obligated to pay in the future which are not included in the Group's consolidated balance sheet.

Currency translation and interest rate exposure

Our reporting currency is the pound sterling. However, a 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 due to the majority of our assets, liabilities, revenues and costs being denominated in US dollars. We have arranged our financing so that approximately 94% of our debt was denominated in US dollars at 30 April 2008. At that date dollar denominated debt represented approximately 85% 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 currency mix of our profits currently prevailing and on current dollar debt levels and interest rates, every 1% change in the US dollar exchange rate would impact pre-tax profit by 0.7%.

Seasonality

Our business is a cyclical one and we manage it to take advantage of periods of growth and withstand periods of economic downturn. In addition to the cyclicality of economic cycles, our business is also subject to significant fluctuations in performance from quarter to quarter as a result of seasonal effects. Commercial construction activity tends to increase in the summer and during extended periods of mild weather and to decrease in the winter and during extended periods of inclement weather. Furthermore, due to the incidence of public holidays in the US and the UK, there are more billing days in the first half of our financial year than the second half leading to our revenues normally being higher in the first half. On a quarterly basis, the second quarter is typically our strongest quarter, followed by the first and then the third and fourth quarters. We manage the business to accommodate these natural annual cycles.

Business and financial review
Continued

Presentation of financial information

Revenue

Our revenue is a function of our prices and the size, physical utilisation and mix of our equipment rental fleet. The prices we charge are affected in large measure by physical utilisation and the relative attractiveness of our rental equipment, while physical utilisation is determined by market size and our market share, as well as general economic conditions. 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 revenues 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 fees; and
- revenue from sales of new merchandise, including sales of parts and revenues from a limited number of sales of new equipment.

The proceeds we generate from the disposal of used rental equipment do not form part of revenue. Instead we show the gain relative to book value in our income statement as other income. In the year ended 30 April 2008, the gain on sale of used rental equipment, from continuing operations was £9.7m (2007: £11.4m) on proceeds of £67.4m (2007: £69.3m). Under a recent change to IFRS which is not yet effective, the Group will in future be required to include these proceeds in its reported revenue (see note 32 to the consolidated financial statements).

Costs

The main components of our total costs of continuing activities are:

- staff costs – staff costs at our profit centres 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 37% of our total operating costs in the year ended 30 April 2008.
- other operating costs – comprised 40% of total costs in the year ended 30 April 2008. 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 purchase, 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, profit centre managers and other management staff.
  - 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 22% of total costs in the year ended 30 April 2008.

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 profit centres. 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'.

Principal accounting policies

We prepare and present our financial statements in accordance with applicable International Financial Reporting Standards (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.

Useful lives of property, plant and equipment

We record expenditures for property, plant and equipment at cost. We depreciate equipment using the straight-line method over its estimated useful economic life (which ranges from 3 to 20 years with a weighted average life of 8 years). We use an estimated residual value of 10% of cost in respect of most types of our rental equipment, although the range of residual values used varies between zero and 30%. 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.

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. During the year we reassessed the estimated useful economic lives and residual values of the rental fleet which reduced the depreciation charge for the year by £3.0m. Our total depreciation expense in the year ended 30 April 2008 was £182.3m.

Impairment of assets

Goodwill is not amortised but is tested annually for impairment 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. In the case of goodwill, impairment is assessed at the level of the Group's reporting units. 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.

Self-insurance

We establish provisions at the end of each financial year to cover our estimate of the discounted liability for uninsured retained risks on unpaid claims arising out of events occurring up to the end of the financial year. The estimate includes events incurred but not reported at the balance sheet date. The provision is established using advice received from external actuaries who help us extrapolate historical trends and estimate the most likely level of future expense which we will incur on outstanding claims. These estimates may, however, change based on varying circumstances, including changes in our experience of the costs we incur in settling claims over time. Accordingly, we may be required to increase or decrease the provision held for self-insured retained risk. At 30 April 2008, the total provision for self-insurance recorded in our consolidated balance sheet was £21.7m (2007: £20.8m).

Revenue recognition

Revenue represents the total amount receivable for the provision of goods and services to customers net of returns and value added tax. Rental revenue, including loss damage waiver fees, is recognised on a straight line basis over the period of the rental contract. Because the terms and conditions of a rental contract can extend across financial reporting periods, the Group records unbilled rental revenue and deferred revenue at the beginning and end of the reporting periods so rental revenue is appropriately stated in the financial statements.

Revenue from rental equipment delivery and collection is recognised when delivery or collection has occurred. Revenue from the sale of 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 sales contract have been fulfilled.

Legal and environmental risk

Legal proceedings

The Group is party to certain legal proceedings arising in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but we do not believe any of these matters are material to our financial condition or results of operations.

Environmental risks

Our operations are subject to numerous laws governing environmental protection and occupational health and safety matters. These laws regulate such issues as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. Under these laws, we may be liable for, among other things, the cost of investigating and remediating contamination at our sites as well as sites to which we send hazardous wastes for disposal or treatment regardless of fault, and also fines and penalties for non-compliance. Our operations generally do not raise significant environmental risks, but we use hazardous materials to clean and maintain equipment, dispose of solid and hazardous waste and wastewater from equipment washing, and store and dispense petroleum products from underground and above-ground storage tanks located at some of our locations. We take our environmental and health and safety responsibilities seriously and have very stringent policies and procedures in place at all our depots to help minimise undue impact on the environment and keep our employees safe. More on this can be found in the Corporate Responsibility Report.

Geoff Drabble
Chief Executive
23 June 2008

Ian Robson
Finance Director

Board of directors

Chris Cole, ***Non-executive Chairman*** ● ■

Aged 61, Chris Cole has been a director since January 2002 and was appointed as non-executive Chairman from 1 March 2007. Mr Cole is Chairman of the Nomination Committee and a member of the Finance and Administration Committee. Mr Cole is Chief Executive of WSP Group plc.

Geoff Drabble, ***Chief Executive*** ● ■

Aged 48, Geoff Drabble was appointed as Chief Executive on 1 January 2007, having served as Chief Executive designate from 2 October 2006. Mr Drabble 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, Mr Drabble held a number of senior management positions at Black & Decker. Mr Drabble is Chairman of the Finance and Administration Committee and a member of the Nomination Committee.

Ian Robson, ***Finance Director*** ■

Aged 49, Ian Robson has been Finance Director since June 2000. Prior to June 2000, Mr Robson held a series of senior financial positions at Reuters Group plc for four years. Before joining Reuters Group plc, Mr Robson was a partner at Price Waterhouse (now PricewaterhouseCoopers LLP). Mr Robson is a member of the Finance and Administration Committee.

Cliff Miller, ***President and Chief Executive Officer, Sunbelt***

Aged 45, Cliff Miller was appointed President and Chief Executive Officer of Sunbelt and as one of our directors in July 2004. Mr Miller has more than 20 years' experience in the rental industry and joined the Group in 1996 with the acquisition of McLean Rentals. From that time until 2003, he was Vice President responsible for Sunbelt's North-Eastern division. Subsequently, he was one of two Executive Vice Presidents responsible for all of Sunbelt's front line operations before assuming his current role in 2004.

Sat Dhaiwal, ***Chief Executive Officer, A-Plant***

Aged 39, Sat Dhaiwal has been Chief Executive Officer of A-Plant and a director since March 2002. Mr Dhaiwal 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 profit centres.

Hugh Etheridge, ***Senior independent non-executive director*** ▲ ◆ ●

Aged 58, Hugh Etheridge has been a director, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees since January 2004. Mr Etheridge was appointed as senior independent non-executive director on 1 March 2007. Mr Etheridge is Chief Financial Officer of the Waste and Resources Action Programme ('WRAP'), a non-profit organisation established by the UK Government to promote sustainable waste management. Before joining WRAP, Mr Etheridge was Finance Director of Waste Recycling Group plc and, prior to that, of Matthew Clark plc.

Gary Iceton, ***Independent non-executive director*** ▲ ◆ ●

Aged 58, Gary Iceton was appointed as a non-executive director and a member of the Audit and Nomination Committees effective from 1 September 2004. Mr Iceton also became Chairman of the Remuneration Committee on 1 March 2007. Until 2000 he was a director of St Ives plc and Chairman and Chief Executive of its Books Division. More recently, he was Chairman of Jarrold Limited and, prior to that, Chief Executive Officer of Amertrans.

Michael Burrow, ***Independent non-executive director*** ▲ ◆

Age 55, Michael Burrow was appointed as a non-executive director and member of the Audit and Remuneration Committees effective from 1 March 2007. Mr Burrow was formerly Managing Director of the Investment Banking Group of Lehman Brothers Europe Limited.

Bruce Edwards, ***Independent non-executive director***

Age 53, Bruce Edwards was appointed as a non-executive director on 8 June 2007. Mr Edwards is the Global Chief Executive Officer for Exel Supply Chain at Deutsche Post World Net, and a member of its Board of Management. He joined DPWN following its acquisition of Exel PLC in December 2005. Prior to the acquisition, Mr Edwards was a director of Exel PLC and Chief Executive of its Americas businesses. Mr Edwards is also a non-executive director of Greif Inc, a NYSE-listed packaging and container manufacturer. He is an American citizen and lives in Columbus, Ohio.

▲ 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.

Directors' report

The directors present their report and the audited accounts for the financial year ended 30 April 2008.

Principal activities

The principal activity of the Company is that of an investment holding and management company. The principal activity of the Group is the rental of equipment to industrial and commercial users mainly in the non-residential construction sectors of the US and the UK.

Trading results and dividends

The Group's consolidated profit before taxation for the year was £109.7m (2007: loss of £42.7m). A review of the Group's performance and future development, including the principal risks and uncertainties facing the Group, is given in the Business and Financial Review on pages 8 to 27 and in note 25 to the financial statements. These disclosures form part of this report. The Group paid an interim dividend of 0.825p per ordinary share in February and the directors recommend the payment of a final dividend of 1.675p per ordinary share, to be paid on 26 September 2008 to those shareholders on the register at the close of business on 5 September 2008, making a total dividend for the year of 2.5p (2007: 1.65p).

Share capital and major shareholders

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

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 Option 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 Acts, 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 member that is a corporate 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) A share transfer form cannot be used to transfer more than one class of share. Each class needs a separate form.

(ii) Transfers may be in favour of more than four joint holders, but the directors can refuse to register such a transfer.

(iii) The share transfer form must be delivered to the 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.

Purchase of own shares

At the Annual General Meeting held on 25 September 2007 and the general meeting held on 31 March 2008, authority was given for the Company to purchase, on market, up to 27,996,096 and 26,902,642 ordinary shares respectively at a maximum price of the higher of (i) an amount equal to 105% of the average of the≈middle market prices for an ordinary share as derived from The London Stock Exchange Daily Official List for each of the five business days immediately preceding the date on which the ordinary share is agreed to be purchased, and (ii) the higher of the price of the last independent trade and the highest current independent bid on the The London Stock Exchange Official List at the time the purchase is carried out. Details of the purchases made during the year are set out in note 20 on page 70.

So far as the Company is aware, the only holdings of 3% or more of the issued share capital of the Company as at 20 June 2008 (the latest practicable date before approval of the financial statements) are as follows:

	%
Standard Life Investments Limited	14.0
Henderson Global Investors Limited	7.1
Barclays Global Investors	6.9
Gartmore Investment Management	5.0
Lazard Asset Management	5.0
Legal and General plc	4.5
Aviva plc	4.3

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 36 to 42. Details of all shares subject to option are given in the notes to the financial statements on pages 72 and 73.

Articles of Association

At this year's Annual General Meeting, the Company is asking shareholders to approve a number of amendments to its Articles of Association, primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and existing Articles of Association is set out in the explanatory notes attached to the Annual General Meeting Notice of Meeting which accompanies this Report and Accounts.

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 occurring for the Group to make an offer to the holders of the Group's senior secured notes to redeem them at 101% of their combined face value of $800m.

Directors and directors' insurance

Details of the directors of the Company are given on pages 28 and 29. The policies related to their appointment and replacement are detailed on page 32. Each of the directors as at the date of approval of this report confirms, as required by section 234ZA of the Companies Act 1985 that to the best of their knowledge and belief:

(1) there is no significant information known to the director relevant to the audit, of which the Company's auditors are unaware; and

(2) each director has taken reasonable steps to make himself aware of such information and to establish that the Company's auditors are 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.

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 2008 was 70 days (30 April 2007: 72 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 £24,573 in total (2007: £52,839). No political donations were made in either year.

Auditors

Deloitte & Touche LLP has indicated its willingness to continue in office and in accordance with section 385 of the Companies Act 1985, 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 will be held at 2.30 pm on Tuesday, 23 September 2008. Notice of the meeting is set out in the document accompanying this Report and Accounts.

In addition to the adoption of the 2007/8 Report and Accounts, the declaration of a final dividend, resolutions dealing with the appointment and re-election of directors and the resolution dealing with the approval of the Directors' Remuneration Report, there are six other matters which will be considered at the Annual General Meeting. These relate to the reappointment of Deloitte & Touche LLP as auditors, the ability for the directors to unconditionally allot shares up to approximately one-third of the Company's share capital, the disapplication of pre-emption rights in relation to the previous resolution empowering the Company to buy back up to 10% of its issued share capital, amendments to the Company's articles of association and amendments to the rules of the Company's Performance Share Plan. The majority of these resolutions update for a further year similar resolutions approved by shareholders in previous years.

By order of the Board

Eric Watkins
Company Secretary
23 June 2008

Corporate governance report

The revised Combined Code on corporate governance was published in June 2006 following a review by the Financial Reporting Council ('the 2006 FRC Code').

The Company is committed to maintaining high standards of corporate governance. The Board recognises that it is accountable to the Company's shareholders for corporate governance and this statement describes how the Company has applied the relevant principles of the 2006 FRC Code.

The Company complied throughout the year with the provisions of the 2006 FRC Code on corporate governance except that, until the appointment of Mr Edwards on 8 June 2007, the Board and its sub-committees did not comply with the independence provisions of the 2006 FRC Code. Following this appointment, the Board and its sub-committees were in compliance with the 2006 FRC Code.

The Board

The Company's Board comprises the non-executive chairman, the chief executive, the finance director, the executive heads of Sunbelt and A-Plant, the senior independent non-executive director and three other non-executive directors. Short biographies of the directors are given on pages 28 and 29.

The chairman undertakes leadership of the Board by agreeing Board agendas and encourages its effectiveness by 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. The chairman, assisted by other directors, reviews the effectiveness of each member of the Board no less than annually and facilitates constructive relationships between the executive and non-executive directors through both formal and informal meetings.

The chairman ensures that all directors are briefed properly to enable them to discharge their duties effectively. All newly appointed directors undertake an induction to all parts of the Group's business. Additionally, detailed management accounts are sent monthly to all Board members and, in advance of all Board meetings, an agenda and appropriate documentation in respect of each item to be discussed is circulated.

The chairman facilitates effective communication with shareholders through both the Annual General Meeting and by individual meetings with major shareholders, to develop an understanding of the views of the investors in the business. He also ensures that shareholders have access to other directors, including non-executive directors, as appropriate.

The chief executive's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed. The chief executive undertakes the leadership and responsibility for the direction and management of the day-to-day business and conduct of the Group. In doing so, the chief executive's role includes, but is not restricted to, implementing Board decisions, delegating responsibility, and reporting to the Board regarding the conduct, activities and performance of the Group. The chief executive chairs the Sunbelt and A-Plant board meetings and sets policies and direction to maximise returns to shareholders.

All directors are responsible under the law for the proper conduct of the Company's affairs. The directors are also responsible for ensuring that the strategies proposed by the executive directors are discussed in detail and assessed critically to ensure they conform with the long-term interests of shareholders and are compatible with the interests of employees, customers and suppliers. The Board has reserved to itself those matters which reinforce its control of the Company. These include treasury policy, acquisitions and disposals, appointment and removal of directors or the company secretary, appointment and removal of the auditors and approval of the annual accounts.

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. The Board normally meets six times a year and there is contact between meetings to advance the Company's activities. It is the Board's usual practice to meet at least annually with the boards of Sunbelt and A-Plant. The directors also have access to the company secretary and are able to seek independent advice at the Company's expense.

All directors are subject to election by shareholders at the first Annual General Meeting after their appointment and to re-election thereafter at intervals of no more than three years. Non-executive directors are appointed for specified terms not exceeding three years and are subject to re-election and the provision of the Companies Act relating to the removal of a director.

In accordance with the Company's articles of association, Mr Cole, Mr Drabble and Mr Robson will offer themselves for retirement and re-election to the Board at the next Annual General Meeting.

Non-executive directors

In the recruitment of non-executive directors, it is the Group'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 are available for inspection at the Annual General Meeting.

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 2006 FRC Code, the non-executive directors, led by the senior independent non-executive director, also meet annually in the absence of the chairman to discuss and appraise his performance.

Performance evaluation

The performance of the chairman, the chief executive, the Board and its committees is evaluated, amongst other things, against 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.

The evaluation of the chairman, the Board and its committees was conducted by way of a questionnaire completed by all of the directors, the results of which were collated by the company secretary and presented to the entire board. Based on this evaluation, the Board concluded that performance in the past year had been satisfactory.

Board committees

Audit Committee

The Audit Committee comprises Mr Etheridge (chairman), who has relevant financial experience, Mr Iceton and Mr Burrow. By invitation, the Group's finance director, Mr Robson, and its director of financial reporting, Mr Pratt, normally attend the Committee's meetings, as do representatives of our internal and external auditors. Other directors are usually also invited to be present if available.

The Audit Committee met on five occasions during the year and reviewed the draft quarterly and annual financial statements prior to their publication, considered the key accounting estimates and judgements contained therein and considered reports from both the internal and external auditors which included audit plans and the key findings of their work. The Audit Committee also reviewed the Group's accounting policies, evaluated the effectiveness of the Group's internal controls and financial reporting policies, and was responsible for dealing with any matter brought to its attention by the auditors.

The Audit Committee also keeps under review the effectiveness of both internal and external audit, as well as the independence of the external auditors including the type of and associated fees for non-audit services.

The principal non-audit fees paid to the Company's auditors, Deloitte & Touche LLP, for the year relate to their work in connection with the review of our interim results and US property tax compliance. The Audit Committee is satisfied that the nature of work undertaken and the level of non-audit fees did not impair their independence.

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

Remuneration Committee

The Remuneration Committee comprises Mr Iceton (chairman), Mr Etheridge and Mr Burrow.

The Remuneration Committee meets as and when required during the year to set the compensation packages for the executive directors, to establish the terms and conditions of the executive directors' employment and to set remuneration policy generally. Mr Cole and Mr Drabble normally attend the meetings of the Committee to assist it in its work. The Committee also engages remuneration consultants to advise it in its work as and when required.

None of the members of the Remuneration Committee is currently or has been at any time one of the Company's executive directors or an employee. None of the executive directors currently 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 Remuneration Committee's terms of reference will be available for inspection at the Annual General Meeting.

Nomination Committee

The current members of the Nomination Committee are Mr Cole (chairman), Mr Drabble, Mr Etheridge, Mr Iceton and Mr Burrow. The Nomination Committee meets as and when required to recommend proposed changes to the structure and composition of the Board of directors.

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

Attendance at Board and Committee meetings held between 1 May 2007 and 30 April 2008

	Board	Audit	Remuneration	Nomination
Number of meetings held	7	5	4	1
Mr Cole	7	–	–	1
Mr Dhaiwal	7	–	–	–
Mr Drabble	7	–	–	1
Mr Miller	7	–	–	–
Mr Robson	7	–	–	–
Mr Burrow	7	5	4	1
Mr Etheridge	7	5	4	1
Mr Iceton	6	5	4	1
Mr Edwards[1]	5	–	–	–

1. Mr Edwards was appointed as non-executive director from 8 June 2007.

Corporate governance report
Continued

Finance and Administration Committee
The Finance and Administration Committee comprises Mr Cole, Mr Drabble and Mr Robson and is chaired by Mr Drabble. 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 presence of Mr Cole, non-executive chairman, including, for example, the approval of material announcements to the London Stock Exchange.

Internal control
The directors acknowledge their responsibility for the Group's system of internal control and confirm they have reviewed its effectiveness. In doing so, the Group has taken note of the relevant guidance for directors, namely Internal Control: Guidance for Directors on the Combined Code (the Turnbull Guidance).

The Board confirms that there is a process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place for the full financial year and is ongoing. It is kept under regular review by the executive directors and is considered periodically by the Board and accords with the Turnbull Guidance.

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

The Group reviews the risks it faces in its business and how these risks are managed. These reviews are conducted in conjunction with the management teams of each of the Group's businesses and are documented in an annual report. The reviews consider whether any matters have arisen since the last report was prepared which might indicate omissions or inadequacies in that assessment. They also consider whether, as a result of changes in either the internal or external environment, any new significant risks have arisen. The executive directors reviewed the draft report for 2008, which was then presented to, discussed and approved by the Audit Committee on 14 May 2008 and then by the Group Board on 19 June 2008.

Before producing the statement on internal control for the annual report and accounts for the year ended 30 April 2008, the Board reconsidered the operational effectiveness of the Group's internal control systems. In particular, through the Audit Committee, it received reports from the operational audit teams and considered the status of implementation of internal control improvement recommendations made by the Group's internal auditors and its external auditors. 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 profit centres or elsewhere. The Audit Committee also meets regularly with the external auditors to discuss their work.

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 profit centre;
- 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, including income statements for the Group and each subsidiary, balance sheet and cash flow statement;
- 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 profit centre by equipment type independently checked on a sample basis by our operational auditors and external auditors;
- detailed internal audits at the Group's major accounting centres undertaken by internal audit specialists from a major international accounting firm;
- comprehensive audits at the profit centres generally carried out annually by internal operational audit. A summary of this work is provided annually to the Audit Committee; and
- a review of arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act and Article 4 of the IAS Regulations.

IAS 1, Presentation of Financial Statements, requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the representation of the effects of transactions, as well as other events and conditions, in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's Framework for the Preparation and Presentation of Financial Statements. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- 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.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act.

The Board confirms to the best of its 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 Directors' 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.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 that it is therefore appropriate to adopt the going concern basis in preparing the financial statements. In forming this view the directors have reviewed the Group's budgets and cash flow forecasts for a period of more than 12 months from the date of the approval of these financial statements, and considered the sufficiency of the Group's banking facilities described on pages 23 to 25 of the Business and Financial Review.

By order of the Board

Eric Watkins
Company Secretary
23 June 2008

Directors' remuneration report

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the forthcoming Annual General Meeting of the Company.

The Regulations require the auditors to report to the Company's members on the 'auditable part' of the Directors' Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration Committee

The Company has established a Remuneration Committee ('the Committee') in accordance with the recommendations of the Combined Code. The members of the Committee are Mr Iceton (chairman), Mr Etheridge and Mr Burrow. None of the Committee members has any personal financial interests, other than as shareholders, in the matters to be decided.

The Group's chief executive, Mr 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, Mr Cole. The company secretary acts as secretary to the Committee. Under Mr Iceton's direction, the company secretary and Mr 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. External professional advice was obtained in the year from Hewitt New Bridge Street ('HNBS') which assisted the Company with a review of its remuneration policy. HNBS does not provide any other services to the Company.

Remuneration policy for executive directors

Executive remuneration packages are designed to attract, motivate and retain directors of the high calibre needed to achieve the Group's objectives and to reward them for enhancing value to shareholders. The main elements of the remuneration package for executive directors and senior management are:
- basic annual salary and benefits in kind;
- annual performance related bonus plan;
- Performance Share Plan awards; and
- pension arrangements.

In assessing all aspects of pay and benefits, the Company compares packages offered by similar companies, which are chosen having regard to:
- the size of the company (enterprise value, revenues, profits and number of employees);
- the diversity and complexity of its businesses;
- the geographical spread of its businesses; and
- their growth, expansion and change profile.

In making the comparisons, the Company also takes into consideration the Group's significant operations in the US where the Company has a number of large, successful competitors who compete with it for top management talent.

The Committee implements its remuneration policies by the design of reward packages for executive directors comprising the appropriate mix of salary, performance related annual cash incentive bonuses and share related incentives. A significant proportion of the overall package comprises performance related elements.

None of the executive directors hold any outside appointments.

Basic salary

An executive director's basic salary is normally determined by the Committee before the start of the year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the experience and performance of individuals and relationships across the board and seeks to be competitive, but fair, using information drawn from both internal and external sources and taking account of pay and conditions elsewhere in the Company.

Annual performance related bonus plan

Under the annual performance related bonus plan for executive directors, payouts for the year to 30 April 2008 were related directly to financial and personal performance targets and were subject to a cap of 150% of salary for Mr Drabble, Mr Robson and Mr Miller and 100% of salary for Mr Dhaiwal. The Committee establishes the objectives that must be met for each financial year if a cash incentive bonus for that year is to be paid. In determining bonus parameters, the Committee's objective is to set targets that reflect appropriately challenging financial performance.

Mr Dhaiwal achieved his targets in full and will be paid the maximum bonus whilst Mr Drabble and Mr Robson earned 60% of their maximum bonus entitlement and Mr Miller earned 17% of his maximum bonus.

For the year to 30 April 2009 the principal performance condition will be linked to profitability and cash flow. A minority of the bonus will be based on personal objectives. The annual performance related bonus plan for all the executive directors

will be subject to a cap of 100% of salary. Around half of the maximum bonus potential will be payable for the achievement of target performance.

Share related incentives

Details of the Company's share related incentives are set out below.

Previous plans

A. Executive share option schemes

Until 2002, it was the Committee's policy to make regular awards under the Company's executive share option plans to senior staff. The value of the shares underlying the options awarded was assessed by reference to a number of factors including the employee's salary, seniority and length of service as well as both the Company's and the individual's performance in the year prior to the award. Shareholder approval for this plan had been granted in 1996 and accordingly the plan formally lapsed in October 2006.

B. Investment Incentive Plan

The Investment Incentive Plan was a long-term incentive plan through which senior management who elected to invest all or a portion of their annual cash bonuses in shares of the Company, also became eligible for matching awards in the form of shares which only vest subject to demanding performance conditions. The Committee has not made any awards under this plan since 2004/5 and the Company does not intend to make further awards under this plan, which finally lapses in 2011.

The final award made in 2004/5 vested in full during the year. Full vesting was triggered by EPS growth above the upper target of RPI plus 7% over the three years ended 30 April 2007 and Total Shareholder Return ('TSR') performance in the upper quartile of the FTSE 250 mid-cap stocks other than investment trusts over the three years from 19 August 2004.

Current plan

Performance Share Plan

Under the Performance Share Plan executive directors and other members of the senior management team may annually be awarded a conditional right to acquire shares ('performance shares') the vesting of which depends on the satisfaction of demanding performance conditions.

In recent years, the policy has been to grant awards of shares with a market value at the date of grant equal to between 20% and 100% of the participant's base salary with the executive directors typically receiving towards the upper end of this range.

At the 2008 Annual General Meeting, following a study of market remuneration levels by HNBS, it is proposed to seek shareholder approval to increase the individual grant limit in the Performance Share Plan rules from 100% to 150% of base salary.

This change is being made to bring the maximum award limit into line with market practice and also to ensure that the Committee has the flexibility to increase the variable element of the remuneration package if appropriate. In proposing this change the Committee recognises the need to ensure that performance conditions are suitably stretching.

The Performance Share Plan criteria vary by year of award and are as follows:

		Performance criteria (measured over 3 years)		
Award date	Financial year	EPS (% of award)	TSR (% of award)	Status
6/10/04	2004/5	2006/7 EPS between 5p (12.5% vested) and 8p (50% vested)	From award date versus FTSE Small Cap (12.5% at median; 50% at upper quartile)	Conditions met in full
17/8/05	2005/6	2007/8 EPS between 7.7p (12.5% vested) to 9.1p (50% vested)	From date of grant versus FTSE 250 Index (12.5% at median; 50% at upper quartile)	TSR measurement period not completed, but EPS target met in full
12/10/06	2006/7	2008/9 EPS – 16.2p (12.5% vested) – 19p (100% vested)		Not completed
30/7/07	2007/8	2009/10 EPS – RPI+4% p.a. (30%) – RPI+10% p.a. (100%)		Not completed

For performance between the lower and upper EPS and, if applicable, TSR vesting ranges, the award is scaled on a straight line basis.

EPS for the purpose of the awards is based on the profit before tax, exceptional items and amortisation of acquired intangibles less a notional 30% tax charge for awards made for years up to 2006/7. Thereafter awards have been based on EPS computed using the same profit definition less the actual tax charge included in the accounts.

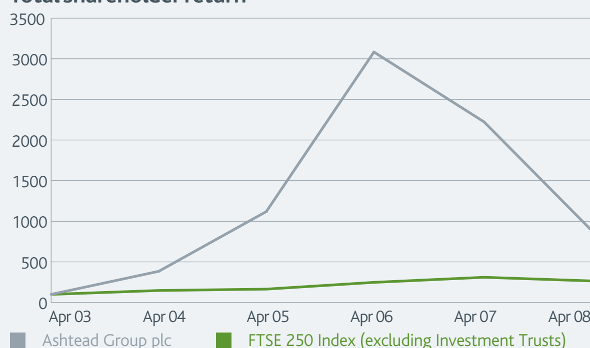
The Committee considers that EPS is an appropriate performance measure as it gives a direct link to the delivery of operational performance.

Directors' remuneration report
Continued

Shareholding guidelines
Executive directors are required to retain no fewer than 50% of shares that vest under the Performance Share Plan (net of taxes) until such time as a shareholding equivalent to 100% of salary is achieved (and thereafter maintained).

Employee Share Ownership Trust
The Group has established an Employee Share Ownership Trust ('ESOT') to acquire and hold shares in the Company to satisfy potential awards under the Performance Share Plan. At 30 April 2008, the ESOT held a beneficial interest in 6,373,382 shares. The ESOT owned directly 4,786,097 of these shares and a further 1,587,285 shares were registered in the name of Performance Share Plan participants on terms which require that the award shares are transferred back to the ESOT to the extent that the performance targets are not met.

Relative performance
The following graph compares the Company's TSR performance with the FTSE 250 Index (excluding investment trusts) over the five years ended 30 April 2008. 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.

Total shareholder return


Source: Thomson Financial

Directors' pension arrangements
The Company makes a payment of 40% of his base salary to Mr Drabble in lieu of providing him with any pension arrangements.

Under the terms of his contract, Mr Robson is entitled to retire at age 60 on a pension equal to one-thirtieth of his final salary for each year of pensionable service. His pension is provided through the Company's Retirement Benefits Plan, which is a defined benefits scheme. Mr Robson's contract also contains early retirement provisions allowing him to retire and draw a pension based on actual years of service, but without deduction for early payment. This takes effect once he has completed 10 years service with the Company (or at anytime after age 50 if there is a change of control). Mr Robson pays contributions equal to 7.5% of his salary to the Retirement Benefits Plan.

Mr Dhaiwal's pension benefits are also provided entirely through the Ashtead Group plc Retirement Benefits Plan. His pension rights accrue at the rate of one-sixtieth of salary (as defined) for each year of pensionable service and his normal retirement date is at age 65. Mr Dhaiwal also pays contributions equal to 7.5% of his salary to the Retirement Benefits Plan.

The Retirement Benefits Plan also provides for:
- in the event of death in service or death between leaving service and retirement while retaining membership of the plan, a spouse's pension equal to 50% of the member's deferred pension, calculated at the date of death plus a return of his contributions;
- in the event of death in retirement, a spouse's pension equal to 50% of the member's pension at the date of death;
- an option to retire at any time after age 50 with the Company's consent. Early retirement benefits are reduced by an amount agreed between the Actuary and the Trustees as reflecting the cost to the plan of the early retirement. In 2010, Government regulations raise the minimum early retirement age to 55; and
- pension increases in line with the increase in retail price inflation up to a limit of currently 5% a year in respect of service since 1997.

In February 2006, Mr Miller ceased contributing to Sunbelt's 401K defined contribution pension plan and joined Sunbelt's deferred compensation plan. Under the deferred compensation plan, Mr Miller can elect to defer a proportion of his annual salary and a proportion of his annual performance bonus, which is retained by Sunbelt in an account designated for his benefit to be paid to him on retirement. Sunbelt provides a co-match at the rate of $1 for every $1 deferred up to $15,000 per calendar year and Mr Miller's deferred salary account is also credited annually with an 'investment return' equal to that earned on equivalent investments.

Executive directors' service agreements
The service agreements between the Company and Mr Drabble (dated 6 July 2006), Mr Robson (dated 4 August 2000), Mr Dhaiwal (dated 8 July 2002) and Mr Miller (dated 5 July 2004) are all terminable by either party giving the other 12 months' notice. The service agreements for each of the executive directors all contain non-compete provisions appropriate to their roles in the Group.

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. Effective 1 May 2008, non-executive directors' fees are being revised to £40,000. The Chairmen of the Audit and Remuneration Committees also receive an additional fee of £10,000 and £5,000 respectively, while the Senior Independent Director receives an additional fee of £5,000. In addition, the Chairman's fee is being revised to £110,000.

An ordinary resolution concerning the Group's remuneration policies will be put to shareholders at the forthcoming Annual General Meeting.

Audited information

Directors' emoluments

The emoluments of the directors, excluding pension benefits, which are included in staff costs in note 3 to the financial statements, were as follows:

Name	Salary £'000	Fees £'000	Performance related bonus £'000	Benefits in kind[i] £'000	Other allowances[ii] £'000	Total emoluments 2008 £'000	Total emoluments 2007 £'000
Executive:							
SS Dhaiwal	208	–	208	2	13	431	409
G Drabble	430	–	387	31	213	1,061	835
C Miller	262	–	65	8	26	361	557
SI Robson	315	–	284	1	35	635	642
Non-executive:							
C Cole	–	100	–	–	–	100	67
M Burrow	–	35	–	–	–	35	6
HC Etheridge	–	45	–	–	–	45	39
G Iceton	–	40	–	–	–	40	33
B Edwards	–	32	–	–	–	32	–
Former directors:							
G B Burnett	–	–	–	–	–	–	723
P A Lovegrove	–	–	–	–	–	–	32
A W P Stenham	–	–	–	–	–	–	78
	1,215	252	944	42	287	2,740	3,421
2007	1,286	260	1,658	25	192		3,421

(i) Benefits in kind comprise the taxable benefit of company owned cars, private medical insurance and subscriptions.
(ii) Other allowances include car allowances, travel and accommodation allowances and the payment of 40% of salary in lieu of pension contributions for Mr Drabble.

Under the terms of the arrangements made with Mr Burnett for him to be available to the Company following his retirement on 31 December 2006 until 31 December 2007, he was paid £71,000 during the year.

Key management

In accordance with IAS 24, Related Party Disclosures, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group's key management comprise the Company's executive and non-executive directors.

Compensation for key management was as follows:

	2008 £'000	2007 £'000
Salaries and short-term employee benefits	**2,740**	3,421
Post-employment benefits	**52**	56
National insurance and social security	**328**	382
Share-based payments	**725**	1,176
	3,845	5,035

Directors' remuneration report
Continued

Directors' pension benefits

	Age at 30 April 2008 Years	Accrued pensionable service at 30 April 2008 Years	Contributions paid by the director £'000	Accrued annual pension at 30 April 2008 £'000	Increase in annual pension during the year: Excluding inflation £'000	Increase in annual pension during the year: Total increase £'000	Transfer value of accrued pension at 30 April 2008 £'000	Transfer value of accrued pension at 30 April 2007 £'000	Increase in transfer value over the year £'000
SS Dhaiwal	39	14	16	46	6	7	208	199	(7)
SI Robson	49	8	24	79	11	13	953	831	98

Notes:
1. The transfer values represent the amount which would have been paid to another pension scheme had the director elected to take a transfer of his accrued pension entitlement at that date and have been calculated by the scheme's actuaries in accordance with Actuarial Guidance Note GN11 published by the Institute of Actuaries and the Faculty of Actuaries. They are not sums paid or due to the directors concerned.
2. The increase in transfer value in the year is stated net of the members' contributions.

In the year to 30 April 2008, Mr Miller deferred $20,703 of his annual salary and $125,000 of his 2006/7 bonus in the Sunbelt deferred compensation plan and consequently Sunbelt allocated $4,615 by way of its co-match contribution. At 30 April 2008, Mr Miller's account was also charged with a negative annual investment return of $25,977. At 30 April 2008 the total gross amount deferred relating to Mr Miller in the plan, including allocated investment return, was $316,125 or £159,611.

Directors' interests in shares

The directors of the Company are shown below together with their beneficial interests in the share capital of the Company (excluding interests in shares held subject to forfeiture if performance conditions under the Company's Performance Share Plan are not achieved – see below):

	30 April 2008 Number of ordinary shares of 10p each	30 April 2007 Number of ordinary shares of 10p each
M Burrow	**60,000**	–
C Cole	**52,082**	42,082
SS Dhaiwal	**330,346**	174,512
G Drabble	**261,357**	211,357
B Edwards	**40,000**	–
HC Etheridge	**20,000**	–
G Iceton	**49,082**	39,082
C Miller	**424,351**	254,559
SI Robson	**1,024,540**	591,250

The directors had no non-beneficial interests in the share capital of the Company.

Investment Incentive Plan ('IIP') and Performance Share Plan ('PSP') awards

Conditional awards of matching shares under the IIP and shares under the PSP held by executive directors are shown in the table below:

		IIP		PSP	
		2008	Held at 30 April 2007	**2008**	Held at 30 April 2007
SS Dhaiwal	– granted in 2004/5	**–**	55,305	**–**	145,192
	– granted in 2005/6	**–**	–	**120,349**	120,349
	– granted in 2006/7	**–**	–	**90,468**	90,468
	– granted in 2007/8	**–**	–	**116,418**	–
G Drabble	– granted in 2006/7	**–**	–	**264,943**	264,943
	– granted in 2007/8	**–**	–	**320,896**	–
C Miller	– granted in 2004/5	**–**	–	**–**	190,144
	– granted in 2005/6	**–**	–	**155,198**	155,198
	– granted in 2006/7	**–**	–	**174,047**	174,047
	– granted in 2007/8	**–**	–	**192,243**	–
SI Robson	– granted in 2004/5	**–**	221,227	**–**	200,364
	– granted in 2005/6	**–**	–	**173,837**	173,837
	– granted in 2006/7	**–**	–	**193,861**	193,861
	– granted in 2007/8	**–**	–	**235,075**	–

The Company's Employee Share Option Trust has conditionally transferred shares to Mr Dhaiwal, Mr Drabble and Mr Robson in respect of some of the options awarded to them under the Company's Performance Share Plan, on conditions under which the shares are automatically returned to the Trust in the event that the performance conditions underlying the awards are not achieved.

Directors' interests in share options

	Options at 1 May 2007	Exercised during year	Lapsed during year	Options at 30 April 2008	Exercise price	Earliest normal exercise date	Expiry
Discretionary schemes							
SS Dhaiwal	35,231	–	(35,231)	–	169.92p	Feb 2001	Feb 2008
	54,202	–	–	54,202	159.12p	Feb 2002	Feb 2009
	37,941	–	–	37,941	115.31p	Feb 2004	Feb 2011
C Miller	26,017	–	(26,017)	–	169.92p	Feb 2001	Feb 2008
	14,472	–	–	14,472	159.12p	Feb 2002	Feb 2009
SI Robson	31,979	–	–	31,979	93.79p	Aug 2003	Aug 2010
	211,932	–	–	211,932	94.55p	Aug 2003	Aug 2010
	249,332	–	–	249,332	115.31p	Feb 2004	Feb 2011
	325,216	–	–	325,216	38.28p	Feb 2005	Feb 2012
SAYE scheme							
SS Dhaiwal	11,699	(11,699)	–	–	28.36p	Oct 2007	Mar 2008
	4,960	–	–	4,960	122.13p	Sept 2009	Feb 2010
SI Robson	11,699	(11,699)	–	–	28.36p	Oct 2007	Mar 2008
	43,417	–	–	43,417	22.39p	May 2008	Oct 2008

Directors' remuneration report
Continued

Details of share plans and SAYE options exercised by the executive directors in the year are as follows:

	Number exercised	Exercise date	Option price	Market price at date of exercise	Gain £'000
Investment Incentive Plan					
SS Dhaiwal	55,305	30 August 2007	N/A	126.5p	70
SI Robson	221,227	30 August 2007	N/A	126.5p	280
Performance Share Plan					
SS Dhaiwal	145,192	30 October 2007	N/A	108.5p	158
C Miller	190,144	30 October 2007	N/A	108.5p	206
SI Robson	200,364	30 October 2007	N/A	108.5p	217
SAYE scheme					
SS Dhaiwal	11,699	16 October 2007	28.36	110.5p	10
SI Robson	11,699	16 October 2007	28.36	110.5p	10

Cash Incentive Scheme
Mr Dhaiwal also holds 54,202 units in the Company's Cash Incentive Scheme which were granted to him on 22 February 2000 when he was not a director. The performance criteria related to this award have been satisfied and accordingly Mr Dhaiwal may exercise the award in whole or in part at any time prior to 22 February 2010. When the award is exercised Mr Dhaiwal will be paid in cash an amount equal to the difference between the mid market price of Ashtead Group plc shares on the day of exercise and 94.09p multiplied by the number of units exercised. The resultant sum will be paid to Mr Dhaiwal in cash less applicable taxes.

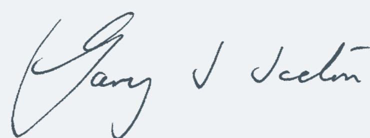
Following the vesting of 55,305 shares on 30 August 2007 under the Company's Investment Incentive Plan, on 5 September 2007 Mr Dhaiwal sold 22,301 shares at 128.5p per share to settle his tax liability in respect of the vesting. These shares were acquired by the Company's Employee Share Option Trust. The balance of 33,004 shares was retained by Mr Dhaiwal.

Following the vesting on 30 October 2007 of 145,192 shares to Mr Dhaiwal and 190,144 shares to Mr Miller under the Company's Performance Share Plan, Mr Dhaiwal sold 61,660 shares at 104.75p to settle his tax liability in respect of the vesting. The balance of 83,532 shares was retained by Mr Dhaiwal. On 8 November 2007 Mr Miller sold 23,000 shares at 99p per share to partially settle his tax liability in respect of the vesting. The balance of 167,144 shares was retained by Mr Miller. The shares sold by Mr Dhaiwal and Mr Miller were acquired by the Company's Employee Share Option Trust.

The performance conditions attaching to the Incentive Investment Plan and the Performance Share Plan referred to above are detailed on page 37.

The market price of the Company's shares at the end of the financial year was 60.5p and the highest and lowest closing prices during the financial year were 162.8p and 52.5p respectively.

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



Gary Iceton
Chairman, Remuneration Committee
23 June 2008

Corporate responsibility report

The Group is fully committed to the highest standards of corporate responsibility. It places a high priority on compliance with all legislative and regulatory requirements, and on the maintenance of high ethical standards, across the Group. We continually seek to improve our performance in terms of employee development and health and safety in particular, as without the highest standards in these areas, our business model simply would not work.

Across our territories, we have made and continue to implement the following Environment, Health and Safety (EHS) commitments to form part of our day-to-day business:

- Prevention of avoidable pollution
- Prevention of accidents and occupational ill health amongst our staff
- Minimisation of energy, material usage and the production of waste
- Effective and responsible waste management and disposal

This year, as was our stated aim last year, we have made significant progress in formalising and recording individual corporate responsibility initiatives and to increasing the reporting of these at Group level. Initially, we have focused our efforts at formalising our environment, health and safety approach on the UK, where there is greater general awareness of the importance of these issues and where, because of A-Plant's greater focus on larger, national accounts, there is more pressure from our customers for us to be able to document and report on these matters. The Board intends, however, that in time we will expand these formalisation and documentation processes in Sunbelt which, on the ground, is already taking many of the same steps.

A key step in this programme was the recruitment and appointment in October 2007 to A-Plant's operating board, of a new environment, health and safety director, reporting to Sat Dhaiwal, A-Plant's chief executive and a Group board director. The creation of this role has enabled us to bring together a range of initiatives which have long been in place within A-Plant, into a single holistic programme.

Since making this important appointment, A-Plant has also begun the process of working towards ISO 14001 (Environmental management) and OHSAS 18001 (Occupational Health & Safety management) accreditation. When completed, the accreditation process will provide an independent assessment (probably by the British Standards Institute) of the appropriateness of our management systems in these areas. A-Plant aims to achieve accreditation by December 2009.

Employees

Our employees are our greatest asset and we place enormous value on the welfare and commitment of our employees, as well as the superior level of service they provide for our customers. At 30 April 2008, we had approximately 9,500 employees across the Group. Our employees all benefit from extensive on the job training schemes and are highly incentivised to deliver superior performance and customer service. We continue to take action consistently through the year to maintain and develop arrangements aimed at involving employees in the Group's affairs. For example, regular meetings are held at profit centres to discuss performance and enable employees to input into ways of improving performance and service levels.

We pride ourselves on many of our staff remaining with us throughout their careers, something which is increasingly uncommon in the commercial world. Many of our most senior staff started out at entry level within our profit centres and their continuity of employment is testament to Ashtead's focus on employee development. We are committed to ensuring equal opportunities for all our staff, as well as to prioritising local employment, such that our businesses predominantly recruit from the areas immediately around our facilities. We make every reasonable effort to give disabled applicants and existing employees becoming disabled, opportunities for work, training and career development in keeping with their aptitudes and abilities. In addition, we constantly measure the effectiveness of our Human Resources processes.

Health and safety

We have extensive programmes to develop and maintain the highest standards of health and safety for our employees and to draw our customers' attention to the importance of these issues for their own employees. A copy of the relevant formal statement of the Group's policy on health and safety is required to be displayed at profit centres in both the UK and the US. We make a considerable annual investment in ensuring that our rental equipment meets or exceeds the latest safety standards, as well as providing health and safety advice and materials for customers and staff as required, to accompany each rental.

We also employ an internal health and safety audit team to ensure that the correct health and safety precautions are in place throughout every aspect of our business. We track and analyse such incidents as do occur to enable us to identify recurrent issues and implement preventative improvements across our UK and US networks.

Corporate responsibility report
Continued

This year, we have placed greater emphasis on normalising this data between the UK and the US, to ensure it is comparable, as well as on comparing and contrasting Sunbelt and A-Plant's performance. This analysis has established that there are currently a greater number of incidents per head in the UK than in the US. Whilst we are still studying the reasons for this and the implications, it is mainly reflective of the greater number of equipment movements in the UK, due to the shorter average rental period and lower rental rates. Delivery of our equipment, including the loading and unloading of equipment onto our delivery truck fleet, generates the greatest number of health and safety incidents impacting our staff.

Over the last year, Sunbelt had 535 reported incidents relative to a workforce of 7,300 whilst the UK had 384 incidents relative to a workforce of 2,500. It should be understood that an incident for this purpose does not necessarily mean that an employee was hurt or injured. Rather it represents an event that, under our health and safety management policies, we want to track and report for monitoring and learning purposes.

Legislation in the US and UK defines reportable accidents under rules which make the data non-comparable between the two countries but comparable within each country relative to other businesses. Under these definitions, which generally encompass more accidents in the US than in the UK, Sunbelt had 296 OSHA recordable accidents in 2007/8 which, relative to total employee hours worked, gave a Total Incident Rate ('TIR') of 2.46 (2006/7: 3.05). In the UK, A-Plant had 29 RIDDOR reportable incidents which again, relative to total employee hours worked, gave a RIDDOR reportable rate of 0.64 (2006/7: 0.92). Relative to national average statistics for the construction industry in their respective markets, both Sunbelt and A-Plant performed well.

Employee education and awareness is key to improving safety standards across our businesses. The Group is at the forefront of the drive to promote higher standards and to educate our employees and also our customers, about new and improved methods of ensuring all employees operate in a safe environment.

In the US, for example, we have a National Training Centre located in North Carolina which is complemented by our Rentals Resource Library, a reference source of information related specifically to our company's fleet of rental equipment and including detailed information on safety techniques and regulations. Our health and safety training courses, often mandatory for employees, are also available for customers and can be tailored to the specific type of equipment being used such as scaffolding, aerial work platforms and forklifts, as well as being held on-site as required.

Initiatives in recent years have included the introduction by A-Plant of a Hand-Arm Vibration labelling system for our equipment and tool hire fleet. Too much exposure to hand-arm vibration can cause hand-arm vibration syndrome and carpal tunnel syndrome. The new labelling system follows the 'Traffic Light' method of indicating possible risks to prolonged exposure to vibration recommended by the Hire Association Europe.

Safeguarding the environment

The Group is committed to taking reasonable actions to minimise the risk of adverse impact on the environment from our business. We achieve this by a policy of:

- investing regularly in the renewal of our rental fleets to ensure that the equipment we provide to our customers mostly incorporates the latest environmental management thinking available from our chosen manufacturers. At 30 April 2008 the≈average age of our fleet was approximately 2.5 years.
- investing in our network of profit centres to ensure that they are adequately equipped to operate in a safe and secure way, protective of the environment. Key matters which are addressed in this programme are: wash-down bays to collect and safely dispose of materials released when we inspect and clean equipment returned from rent; enclosed paint booths and spray shops to ensure that repainting of equipment can be conducted safely and securely; bunded fuel tanks and designated spill areas to ensure secure fuelling of our fleet and, where relevant, vehicles; and proper arrangements to ensure the collection and secure disposal of waste fuels and oils, tyres and other old or broken parts released as we service and maintain our rental equipment.
- investing in a modern and efficient delivery truck fleet to ensure that our vehicles are purchased with the latest available emissions management and fuel efficiency available from our chosen suppliers.

We also support the initiatives of the Carbon Trust in the management of harmful carbon dioxide emissions. We have participated regularly in their annual surveys and are committed in future to reporting on our carbon dioxide consumption in our annual report. Across the Group our estimated total CO_2 emissions were 220,000 tonnes (comprising 189,000 tonnes for Sunbelt and 31,000 tonnes for A-Plant).

Whilst these emission levels are low relative to our revenues and employee numbers, we recognise that most of our emissions are generated by our delivery truck fleet in transporting our equipment to our customers' job-sites. Our customers expect and pay for this delivery but we are working on a number of initiatives to enable our customers to help us reduce our emission levels and the delivery charges we make to them. For example on big, long-term construction sites where the customer is prepared to commit to using our services on a sole supply basis, we are increasingly prepared to place a pool of our equipment at the job-site enabling equipment to be sourced on-site and therefore cutting back the site's overall transportation needs.

Contributing to the community

The Board recognises the importance of giving back to the communities where we do business as well as further afield. We have a number of community programmes across both the US and the UK as well as individual initiatives around each of our depots. In the US, we have created a programme that combines our local and national resources to provide consistent support to a charitable organisation and we leverage our decentralised business structure to facilitate local involvement. Through this partnership, Sunbelt provides an annual contribution of equipment and services to local and national community projects undertaken by the national charitable organisation, Habitat for Humanity.

As well as supporting local communities, A-Plant has also provided input to programmes in Africa. Over the last two years, together with WH Malcolm Construction Services, we have been working to provide tools and equipment for use in the Rwanda Orphans Project. We have sent used equipment to a training centre in Rwanda which is designed to enable attendees to learn new skills. The equipment is being used by orphans aged 17 to 19, to enable them to develop a skill to support themselves and their families.

A-Plant Lux also recently sponsored a BT Apprentice to complete Challenge Africa 2008, the focus of which was to support a school in Kenya with a feeding programme, as well as building teacher accommodation and a water tank. The project also supported the building of classrooms for a community in Tanzania.

Geoff Drabble
Chief executive
23 June 2008

Independent auditors' report to the members of Ashtead Group plc

We have audited the Group and individual company financial statements (the "financial statements") of Ashtead Group plc for the year ended 30 April 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated Statement of Recognised Income and Expense and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business and Financial Review that is cross referred from the Trading results and dividends section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 April 2008 and of its profit for the year then ended;
- the individual Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 30 April 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 30 April 2008 and of its profit for the year then ended.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
23 June 2008

Consolidated income statement

For the year ended 30 April 2008

				2008			2007
	Notes	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m	Before exceptional items, amortisation and fair value remeasurements+ £m	Exceptional items, amortisation and fair value remeasurements+ £m	Total £m
Continuing operations							
Revenue	2	**976.1**	–	**976.1**	874.5	–	874.5
Staff costs		**(298.9)**	–	**(298.9)**	(280.1)	(10.1)	(290.2)
Other operating costs		**(323.2)**	–	**(323.2)**	(306.5)	(26.5)	(333.0)
Other income		**9.7**	–	**9.7**	11.4	(0.9)	10.5
EBITDA*		**363.7**	–	**363.7**	299.3	(37.5)	261.8
Depreciation		**(176.6)**	–	**(176.6)**	(155.0)	(0.9)	(155.9)
Amortisation		–	**(2.6)**	**(2.6)**	–	(11.0)	(11.0)
Operating profit	2, 3	**187.1**	**(2.6)**	**184.5**	144.3	(49.4)	94.9
Investment income		**4.3**	–	**4.3**	3.9	–	3.9
Interest expense		**(79.1)**	–	**(79.1)**	(73.0)	(68.5)	(141.5)
Net financing costs	4	**(74.8)**	–	**(74.8)**	(69.1)	(68.5)	(137.6)
Profit/(loss) on ordinary activities before taxation		**112.3**	**(2.6)**	**109.7**	75.2	(117.9)	(42.7)
Taxation							
– current	6	**(5.7)**	–	**(5.7)**	(0.2)	–	(0.2)
– deferred	6, 19	**(33.4)**	**(0.6)**	**(34.0)**	(26.2)	71.0	44.8
		(39.1)	**(0.6)**	**(39.7)**	(26.4)	71.0	44.6
Profit from continuing operations		**73.2**	**(3.2)**	**70.0**	48.8	(46.9)	1.9
Profit from discontinued operations	7	**7.6**	–	**7.6**	3.9	2.1	6.0
Profit attributable to equity shareholders		**80.8**	**(3.2)**	**77.6**	52.7	(44.8)	7.9
Continuing operations							
Basic earnings per share	9	**13.4p**	**(0.6p)**	**12.8p**	9.5p	(9.1p)	0.4p
Diluted earnings per share	9	**13.3p**	**(0.6p)**	**12.7p**	9.4p	(9.0p)	0.4p
Total continuing and discontinued operations							
Basic earnings per share	9	**14.8p**	**(0.6p)**	**14.2p**	10.3p	(8.8p)	1.5p
Diluted earnings per share	9	**14.7p**	**(0.6p)**	**14.1p**	10.2p	(8.7p)	1.5p

* EBITDA is presented here as an additional performance measure as it is commonly used by investors and lenders.
+ Fair value remeasurements relate to embedded derivatives in long term debt.

Consolidated statement of recognised income and expense

For the year ended 30 April 2008

	2008 £m	2007 £m
Profit for the financial year	**77.6**	7.9
Actuarial (loss)/gain on defined benefit pension schemes	**(0.6)**	2.5
Effect of the limit on net pension asset recognised	**(5.8)**	–
Foreign currency translation differences	**2.0**	(13.0)
Tax on items taken directly to equity	**(1.4)**	1.6
Total recognised income and expense for the year	**71.8**	(1.0)

Consolidated movements in equity shareholders' funds

For the year ended 30 April 2008

	2008 £m	2007 £m
Total recognised income and expense for the year	**71.8**	(1.0)
Dividends paid	**(10.5)**	(7.0)
Issue of ordinary shares, net of expenses	**0.5**	148.9
Own shares purchased by the Company	**(23.3)**	–
Own shares purchased by the ESOT	**(1.6)**	(4.9)
Credit in respect of share-based payments	**2.5**	2.4
Net increase in equity shareholders' funds in the year	**39.4**	138.4
Equity shareholders' funds at the beginning of the year	**396.7**	258.3
Closing equity shareholders' funds	**436.1**	396.7

Consolidated balance sheet

At 30 April 2008

	Notes	2008 £m	2007 £m
Current assets			
Inventories	10	**22.6**	24.2
Trade and other receivables	11	**159.9**	163.7
Current tax asset		**2.2**	2.0
Cash and cash equivalents	12, 26(c)	**1.8**	1.1
		186.5	191.0
Assets held for sale	7	**26.8**	10.3
		213.3	201.3
Non-current assets			
Property, plant and equipment			
– rental equipment	13	**994.0**	920.6
– other assets	13	**136.1**	127.4
		1,130.1	1,048.0
Intangible assets – brand names and other acquired intangibles	14	**8.0**	9.7
Goodwill	14	**291.9**	289.6
Deferred tax asset	19	**19.6**	41.7
Defined benefit pension fund surplus	24	**–**	5.2
		1,449.6	1,394.2
Total assets		**1,662.9**	1,595.5
Current liabilities			
Trade and other payables	15	**129.1**	166.8
Current tax liabilities		**–**	0.7
Debt due within one year	16	**7.6**	9.0
Provisions	18	**9.1**	12.7
		145.8	189.2
Liabilities directly associated with assets classified as assets held for sale	7	**6.5**	–
		152.3	189.2
Non-current liabilities			
Debt due after more than one year	16	**957.4**	908.0
Provisions	18	**18.8**	19.6
Deferred tax liabilities	19	**98.3**	82.0
		1,074.5	1,009.6
Total liabilities		**1,226.8**	1,198.8
Equity shareholders' funds			
Share capital	20	**56.2**	56.0
Share premium account	21	**3.6**	3.3
Non-distributable reserve	21	**90.7**	90.7
Own shares held by the Company	21	**(23.3)**	–
Own shares held through the ESOT	21	**(7.0)**	(8.7)
Cumulative foreign exchange translation differences	21	**(28.2)**	(30.2)
Distributable reserves	21	**344.1**	285.6
Total equity shareholders' funds		**436.1**	396.7
Total liabilities and equity shareholders' funds		**1,662.9**	1,595.5

These financial statements were approved by the Board on 23 June 2008.

G Drabble
Chief Executive

SI Robson
Finance Director

Consolidated cash flow statement

For the year ended 30 April 2008

	Notes	2008 £m	2008 £m	2007 £m	2007 £m
Cash flows from operating activities					
Cash generated from operations before exceptional items	26(a)		**356.4**		319.3
Exceptional items			**(9.5)**		(19.0)
Cash generated from operations			**346.9**		300.3
Financing costs paid before exceptional items		**(76.4)**		(64.2)	
Exceptional financing costs paid		**–**		(49.8)	
Financing costs paid			**(76.4)**		(114.0)
Tax paid			**(6.4)**		(5.0)
Net cash from operating activities			**264.1**		181.3
Cash flows from investing activities					
Acquisition of businesses	26(d)		**(5.9)**		(327.2)
Payments for property, plant and equipment			**(351.5)**		(308.3)
Proceeds on sale of property, plant and equipment and assets held for resale			**92.7**		78.5
Net cash used in investing activities			**(264.7)**		(557.0)
Cash flows from financing activities					
Drawdown of loans			**186.7**		890.5
Redemption of loans			**(143.9)**		(641.8)
Capital element of finance lease payments			**(7.0)**		(9.9)
Purchase of own shares by the Company			**(22.9)**		–
Purchase of own shares by the ESOT			**(1.6)**		(4.9)
Dividends paid			**(10.5)**		(7.0)
Proceeds from issue of ordinary shares			**0.5**		148.9
Net cash from financing activities			**1.3**		375.8
Increase in cash and cash equivalents			**0.7**		0.1
Opening cash and cash equivalents			**1.1**		1.0
Closing cash and cash equivalents			**1.8**		1.1

Notes to the consolidated financial statements

1 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 IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. Accordingly, the Group complies with all IFRS, including those adopted for use in the European Union. 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.

During the year, the Group adopted the following new standards:

- IFRS 7 – Financial Instruments : Disclosures and the associated amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures. IFRS 7 replaces the disclosure requirements of IAS 32 by introducing new disclosures to increase the information provided about financial instruments and risk exposures. The presentation requirements of IAS 32 remain unchanged. The IAS 1 amendment introduces new disclosures about the management of capital.
- IFRS 8 – Operating Segments has been adopted early. The Group's reporting segments are consistent with IFRS 8 and consequently, it has not resulted in any changes to the disclosures.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use 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. A more detailed discussion of the principal accounting policies and management estimates and assumptions is included in the Business and Financial Review on pages 26 and 27 and forms part of these financial statements. Actual results could differ from these estimates.

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 incorporated for the periods from or to the date on which control passed and acquisitions are accounted for under the acquisition method. 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.

Comparatives

Comparative figures have been adjusted to conform to a change in presentation in the current year. This change relates to the restatement in the income statement and supporting notes to separate profits and losses relating to discontinued operations that were previously included in profit from continuing operations. This is in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Income statements and cash flows of overseas subsidiary undertakings are translated into sterling at average rates of exchange for the year. The exchange rates used in respect of the US dollar are:

	2008	2007
Average for year	**2.01**	1.91
Year end	**1.98**	2.00

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 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 to customers net of returns and value added tax. Rental revenue, including loss damage waiver fees, is recognised on a straight line basis over the period of the rental contract. Because the terms and conditions of a rental contract can extend across financial reporting period ends, the Group records unbilled rental revenue and deferred revenue at the end of the reporting periods so rental revenue is appropriately stated in the financial statements.

Revenue from rental equipment delivery and collection is recognised when delivery or collection has occurred.

Revenue from the sale of 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 sales contract have been fulfilled.

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.

1 Accounting policies continued

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 aerial work platforms, 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. Additionally, 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. The rates in use are as follows:

	Per annum
Freehold property	2%
Rental equipment	5% to 33%
Motor vehicles	16% to 25%
Office and workshop equipment	20%

Residual values are estimated at 10% of cost in respect of most types of rental equipment, although the range of residual values used varies between zero and 30%.

Gains and losses from the sale of used equipment are recognised in the income statement as other income on transfer of title in the equipment to the purchaser except in the case of sales of rental equipment lost when in the possession of the rental customer which are recognised when the loss is notified by the customer. Gains or losses in connection with trade-in arrangements with certain manufacturers from whom the Group purchases new equipment are 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.

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

Business combinations and goodwill

Acquisitions are accounted for using the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired, including any intangible assets other than goodwill. Adjustments to the fair values of assets acquired made within 12 months of acquisition date are accounted for from the date of acquisition.

Goodwill is stated at cost less any accumulated impairment losses and is allocated to the Group's three reporting units, Sunbelt, A-Plant and Ashtead Technology.

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	8.3%
Customer lists	10% to 20%

Notes to the consolidated financial statements
Continued

1 Accounting policies continued

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. In the case of goodwill, impairment is assessed at the level of the Group's three reporting units.

The recoverable amount is the higher of an asset's fair value less costs to sell 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 new 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 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 recognised income and expense. The increase in the present value of plan liabilities arising from employee service during the period is charged to operating profit. The expected return on plan assets and the expected increase during the period in the present value of plan liabilities due to unwind of the discount are included in investment income and interest expense, respectively.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is restricted to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions.

1 Accounting policies continued

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 scheme. 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.

Investment income and interest expense

Investment income comprises interest receivable on funds invested, fair value gains on derivative financial instruments and the expected return on plan assets in respect of defined benefit pension plans.

Interest expense comprises interest payable on borrowings, amortisation of deferred finance costs, fair value losses on derivative financial instruments and the expected increase in plan liabilities in respect of defined benefit pension schemes.

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 nominal 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 nominal 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.

Revolving 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 relevant facility.

Derivative financial instruments

The Group uses a limited number of derivative financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates. These are principally swap agreements used to manage the balance between fixed and floating rate finance on long term debt and forward contracts for known future foreign currency cash flows. The Group does not hold or issue derivative instruments for speculative purposes.

All derivatives are held at fair value in the balance sheet within trade and other receivables or trade and other payables. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects profit or loss. Changes in the fair value of any derivative instruments that are not hedge accounted are recognised immediately in the income statement.

Notes to the consolidated financial statements
Continued

1 Accounting policies continued

Secured notes
The Group's secured notes contain early prepayment options, which constitute embedded derivatives in accordance with IAS 39, Financial Instruments: Recognition and Measurement. At the date of issue the liability component of the notes is estimated using prevailing market interest rates for similar debt with no prepayment option and is recorded within borrowings. 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.

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 in treasury, by the ESOT and shares registered in the name of employees but, subject to forfeiture if performance targets are not achieved, 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, amortisation of acquired intangibles and fair value remeasurements of embedded derivatives in long term debt. Cash tax earnings per share comprises underlying earnings per share adjusted to exclude deferred taxation.

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 in the open market for use in connection with employee share plans are presented as a deduction from shareholders' funds together with shares transferred by the ESOT to employees and registered in the employees name but subject to mandatory return to the ESOT if performance targets are not achieved. When the shares vest to satisfy share-based payments, a transfer is made from own shares held through the ESOT to retained earnings.

Treasury shares
The cost of treasury shares is deducted from shareholders' funds.

Assets held for sale
Non-current assets held for sale and disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Such assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Such assets are not depreciated. Assets are regarded as held for sale only when the sale is highly probable and the asset is available for sale in its present condition. Management must be committed to the sale which must be expected to qualify for recognition as a completed sale within one year from the date of classification.

2 Segmental analysis

Business segments

The Group operates one class of business: rental of equipment. Operationally and managerially, the Group is split into two business units, Sunbelt and A-Plant which separately report to, and are managed by, the chief executive and align with the geographies in which they operate, being the US and UK, respectively. The Group also owns Ashtead Technology, which is in the process of being disposed and therefore has been classified as a disposal group (refer note 7). These business units are the basis on which the Group reports its primary 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 2008	Sunbelt £m	A-Plant £m	Corporate items £m	Continuing operations £m	Discontinued operations £m	Group £m
Revenue	761.3	214.8	–	976.1	26.5	1,002.6
Operating costs	(462.9)	(141.6)	(7.9)	(612.4)	(10.2)	(622.6)
EBITDA	298.4	73.2	(7.9)	363.7	16.3	380.0
Depreciation	(133.5)	(43.0)	(0.1)	(176.6)	(5.7)	(182.3)
Segment result before amortisation	164.9	30.2	(8.0)	187.1	10.6	197.7
Amortisation	(2.1)	(0.5)	–	(2.6)	–	(2.6)
Segment result	162.8	29.7	(8.0)	184.5	10.6	195.1
Net financing costs				(74.8)	–	(74.8)
Profit before taxation				109.7	10.6	120.3
Taxation				(39.7)	(3.0)	(42.7)
Profit attributable to equity shareholders				70.0	7.6	77.6
Segment assets	1,254.4	356.9	1.2	1,612.5	26.0	1,638.5
Cash				1.8	–	1.8
Taxation assets				21.8	0.8	22.6
Total assets				1,636.1	26.8	1,662.9
Segment liabilities	97.5	45.7	4.0	147.2	4.4	151.6
Corporate borrowings and accrued interest				974.8	–	974.8
Taxation liabilities				98.3	2.1	100.4
Total liabilities				1,220.3	6.5	1,226.8
Other non-cash expenditure – share-based payments	0.9	0.6	0.7	2.2	–	2.2
Capital expenditure	198.9	129.2	–	328.1	8.8	336.9

Notes to the consolidated financial statements
Continued

2 Segmental analysis continued

Year ended 30 April 2007	Sunbelt £m	A-Plant £m	Corporate items £m	Continuing operations £m	Discontinued operations £m	Group £m
Revenue	684.6	189.9	–	874.5	21.6	896.1
Operating costs before exceptional items	(436.0)	(131.0)	(8.2)	(575.2)	(10.6)	(585.8)
EBITDA	248.6	58.9	(8.2)	299.3	11.0	310.3
Depreciation	(116.1)	(38.8)	(0.1)	(155.0)	(4.8)	(159.8)
Segment result before exceptional items and amortisation	132.5	20.1	(8.3)	144.3	6.2	150.5
Amortisation	(10.8)	(0.2)	–	(11.0)	–	(11.0)
Exceptional items	(31.5)	(6.7)	(0.2)	(38.4)	–	(38.4)
Segment result	90.2	13.2	(8.5)	94.9	6.2	101.1
Net financing costs				(137.6)	–	(137.6)
Loss before taxation				(42.7)	6.2	(36.5)
Taxation				44.6	(0.2)	44.4
Profit attributable to equity shareholders				1.9	6.0	7.9
Segment assets	1,234.1	294.2	0.2	1,528.5	22.2	1,550.7
Cash				1.1	–	1.1
Taxation assets				41.0	2.7	43.7
Total assets				1,570.6	24.9	1,595.5
Segment liabilities	129.5	49.1	2.9	181.5	4.1	185.6
Corporate borrowings and accrued interest				930.5	–	930.5
Taxation liabilities				82.4	0.3	82.7
Total liabilities				1,194.4	4.4	1,198.8
Other non-cash expenditure – share-based payments	0.6	0.5	1.0	2.1	(0.1)	2.0
Capital expenditure	776.2	104.0	–	880.2	8.5	888.7

There are no sales between the business segments. Segment assets include property, plant and equipment, goodwill, acquired 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 and includes additions through the acquisition of businesses.

Segmental analysis by geography

The Group's operations are located in North America, the United Kingdom and Singapore. The following table provides an analysis of the Group's revenue, segment assets and capital expenditure, including acquisitions, by country of domicile. Segment assets include property, plant and equipment and intangible assets.

	Revenue		Segment assets		Capital expenditure	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
North America	**772.8**	694.2	**1,137.7**	1,110.5	**202.3**	780.5
United Kingdom	**226.3**	199.4	**309.3**	249.9	**132.9**	107.3
Rest of World	**3.5**	2.5	**3.5**	2.4	**1.7**	0.9
	1,002.6	896.1	**1,450.5**	1,362.8	**336.9**	888.7

Revenue from the Group's discontinued operations was derived from North America (2008: £11.5m, 2007: £9.6m), United Kingdom (2008: £11.5m, 2007: £9.5m) and the Rest of World (2008: £3.5m, 2007: £2.5m).

3 Operating costs and other income

	2008			2007		
	Before amortisation £m	**Amortisation £m**	**Total £m**	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m
Staff costs:						
Salaries	**271.7**	**–**	**271.7**	254.4	–	254.4
Social security costs	**22.5**	**–**	**22.5**	21.1	–	21.1
Other pension costs	**4.7**	**–**	**4.7**	4.6	–	4.6
Redundancies and retention bonuses	**–**	**–**	**–**	–	10.1	10.1
	298.9	**–**	**298.9**	280.1	10.1	290.2
Other operating costs:						
Vehicle costs	**71.0**	**–**	**71.0**	63.7	–	63.7
Spares, consumables and external repairs	**55.7**	**–**	**55.7**	55.9	–	55.9
Facility costs	**40.9**	**–**	**40.9**	37.5	10.2	47.7
Other external charges	**155.6**	**–**	**155.6**	149.4	16.3	165.7
	323.2	**–**	**323.2**	306.5	26.5	333.0
Other income:						
Profit on disposal of property, plant and equipment	**(9.7)**	**–**	**(9.7)**	(11.4)	0.9	(10.5)
	(9.7)	**–**	**(9.7)**	(11.4)	0.9	(10.5)
Depreciation and amortisation:						
Depreciation of owned assets	**172.3**	**–**	**172.3**	148.6	0.9	149.5
Depreciation of leased assets	**4.3**	**–**	**4.3**	6.4	–	6.4
Amortisation of acquired intangibles	**–**	**2.6**	**2.6**	–	11.0	11.0
	176.6	**2.6**	**179.2**	155.0	11.9	166.9
	789.0	**2.6**	**791.6**	730.2	49.4	779.6

Staff costs relating to discontinued operations are shown in note 7. Proceeds from the disposal of property, plant and equipment amounted to £67.4m (2007: £69.3m) from continuing operations.

The costs shown in the above table include:

	2008			2007		
	Before amortisation £m	**Amortisation £m**	**Total £m**	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m
Operating lease rentals payable:						
Plant and equipment	**5.8**	**–**	**5.8**	5.6	–	5.6
Property	**29.2**	**–**	**29.2**	26.1	10.2	36.3
Cost of inventories recognised as expense	**108.9**	**–**	**108.9**	104.5	–	104.5
Bad debt expense	**8.0**	**–**	**8.0**	6.2	–	6.2
Net foreign exchange losses	**0.2**	**–**	**0.2**	–	–	–

The Group's key management comprise the Company's executive and non-executive directors. Details of their remuneration together with their share interests and share option awards are given in the Directors' Remuneration Report and form part of these financial statements.

Notes to the consolidated financial statements
Continued

3 Operating costs and other income continued

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

	2008 £'000	2007 £'000
Audit services		
Fees payable to Deloitte UK		
– Group audit	**343**	379
– UK statutory audits of subsidiaries	**29**	28
Fees payable to other Deloitte firms		
– overseas statutory audit	**4**	3
– overseas subsidiary audits	**258**	352
	634	762
Other services		
Fees payable to Deloitte UK		
– half year review	**63**	102
– other assurance services	**20**	18
– due diligence services	**–**	345
Fees payable to other Deloitte firms		
– tax services	**83**	28
– other assurance services	**37**	53
	837	1,308

4 Net financing costs

	2008 £m	2007 £m
Investment income		
Interest and other financial income	**–**	0.1
Expected return on assets of defined benefit pension plan	**4.3**	3.8
Total investment income	**4.3**	3.9
Interest expense		
Bank interest payable	**36.1**	34.0
Interest on second priority senior secured notes	**35.4**	31.7
Interest payable on finance leases	**1.2**	1.6
Non-cash unwind of discount on defined pension plan liabilities	**2.9**	2.5
Non-cash unwind of discount on insurance provisions	**1.1**	0.7
Amortisation of deferred costs of debt raising	**2.4**	2.5
	79.1	73.0
Exceptional costs and fair value remeasurements of embedded derivatives	**–**	68.5
Total interest expense	**79.1**	141.5
Net financing costs before exceptional items and fair value remeasurements of embedded derivatives	**74.8**	69.1
Net exceptional income and fair value remeasurements of embedded derivatives	**–**	68.5
Net financing costs	**74.8**	137.6

5 Exceptional items, amortisation and fair value remeasurements

	2008 £m	2007 £m
Senior note redemption costs	–	42.1
Write off of deferred financing costs relating to debt redeemed	–	10.5
Acquisition integration costs	–	21.3
Rebranding costs	–	9.4
UK restructuring	–	6.2
Other costs	–	2.0
Total exceptional items	–	91.5
Amortisation of acquired intangibles	**2.6**	11.0
Fair value remeasurements of embedded derivatives	–	15.4
	2.6	117.9

Exceptional items, amortisation and fair value remeasurements are presented in the income statement as follows:

	2008 £m	2007 £m
Staff costs	–	10.1
Other operating costs	–	26.5
Other income	–	0.9
Depreciation	–	0.9
Amortisation	**2.6**	11.0
Charged in arriving at operating profit	**2.6**	49.4
Interest expense	–	68.5
Charged in arriving at profit before taxation	**2.6**	117.9

6 Taxation

	2008 £m	2007 £m
Analysis of charge/(credit) in period		
Current tax		
– UK corporation tax at 29.8% (2007: 30%)	–	–
– overseas taxation	**5.7**	0.2
	5.7	0.2
Deferred tax	**34.0**	(44.8)
Taxation	**39.7**	(44.6)

The tax charge on continuing activities comprises a charge of £39.1m (2007: £26.4m) relating to tax on the profit before exceptional items, amortisation and fair value remeasurements, together with a net charge of £0.6m (2007: credit of £71.0m) relating to a tax credit on exceptional items, amortisation and fair value remeasurements of £1.0m and an exceptional tax charge of £1.6m reflecting the effect on the UK deferred tax asset of the reduction in the corporation tax rate from 30% to 28% from 1 April 2008.

Notes to the consolidated financial statements
Continued

6 Taxation continued
The tax charge for the period is higher than the standard rate of corporation tax in the UK (average of 29.8% for the year). The differences are explained below:

	2008 £m	2007 £m
Profit/(loss) on ordinary activities before tax	**109.7**	(42.7)
Profit/(loss) on ordinary activities multiplied by the rate of Corporation tax in the UK of 29.8% (2007: 30%)	**32.7**	(12.8)
Effects of:		
Use of foreign tax rates on overseas income	**5.3**	(1.8)
Exceptional recognition of deferred tax asset	**–**	(33.8)
Change in rate of UK corporation tax on deferred tax asset	**1.6**	–
Change in unrecognised deferred tax asset	**–**	2.9
Other	**0.1**	0.9
Total taxation	**39.7**	(44.6)

7 Discontinued operations
In December 2007 the Board announced a strategic review of the Group's Ashtead Technology business, which primarily carries out the business of renting specialised electronic equipment to the offshore oil and gas sectors and environmental monitoring and testing industry. On 23 June 2008, the Group announced that agreement had been reached with Phoenix Equity Partners for the sale of the business for £95.6m. At 30 April 2008, the Group concluded that, with regard to the criteria set out in IFRS 5, it was highly probable that the business would be sold. Accordingly, the operations which form a single disposal group, have been classified as assets held for sale, which are presented separately in the balance sheet. The operations are also included as discontinued operations in the segmental analysis in note 2. The proceeds of disposal substantially exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classifications of these operations held for sale.

The results of the discontinued operations which have been included in the consolidated income statement are as follows:

	2008 £m	2007 £m
Revenue	**26.5**	21.6
Operating costs	**(10.2)**	(10.6)
EBITDA	**16.3**	11.0
Depreciation	**(5.7)**	(4.8)
Operating profit	**10.6**	6.2
Net financing costs	**–**	–
Profit before taxation	**10.6**	6.2
Taxation	**(3.0)**	(0.2)
Profit after taxation	**7.6**	6.0

Staff costs included in the above operating costs are as follows:

	2008 £m	2007 £m
Salaries	**4.9**	4.1
Social security costs	**0.5**	0.3
Other pension costs	**0.1**	0.1
	5.5	4.5

Proceeds from the disposal of property, plant and equipment amounted to £1.1m (2007: £0.6m).

The 2007 tax charge includes a £2.1m credit related to a previously unrecognised deferred tax asset, recognised in full.

7 Discontinued operations continued

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

			2008 £m
Assets classified as held for sale			
Inventories			**0.1**
Trade and other receivables			**5.4**
Taxation assets			**0.8**
Property, plant and equipment	– rental equipment	**18.2**	
	– other assets	**0.3**	
			18.5
Goodwill			**2.0**
Total assets classified as held for sale			**26.8**
Liabilities associated with assets classified as held for sale			
Trade and other payables			**4.4**
Taxation liabilities			**2.1**
Total liabilities associated with assets classified as held for sale			**6.5**
Net assets of the disposal group			**20.3**

In 2007, assets held for sale comprised certain rental equipment acquired with the NationsRent business.

The results of the discontinued operations which have been included in the consolidated cash flow statement are as follows:

	2008 £m	2007 £m
Cash flows attributable to discontinued operations		
Cash flows from operating activities	**14.1**	10.8
Cash flows from investing activities	**(7.0)**	(8.2)
Cash flows from financing activities	**(7.1)**	(2.5)
	–	0.1

8 Dividends

	2008 £m	2007 £m
Final dividend paid on 28 September 2007 of 1.1p (2007: 1.0p) per 10p ordinary share	**6.1**	4.0
Interim dividend paid on 29 February 2008 of 0.825p (2007: 0.55p) per 10p ordinary share	**4.4**	3.0
	10.5	7.0

In addition, the directors are proposing a final dividend in respect of the financial year ended 30 April 2008 of 1.675p per share which will absorb £8.7m of shareholders' funds based on the 512.2m shares outstanding at 20 June 2008. Subject to approval by shareholders, it will be paid on 26 September 2008 to shareholders who are on the register of members on 5 September 2008.

Notes to the consolidated financial statements
Continued

9 Earnings per share

	2008			2007		
	Earnings £m	Weighted average no. of shares million	Per share amount pence	Earnings £m	Weighted average no. of shares million	Per share amount pence
Continuing operations						
Basic earnings per share	**70.0**	**547.0**	**12.8p**	1.9	512.3	0.4p
Effect of dilutive securities:						
Share options and share plan awards	**–**	**2.2**	**(0.1p)**	–	6.7	–
Diluted earnings per share	**70.0**	**549.2**	**12.7p**	1.9	519.0	0.4p
Discontinued operations						
Basic earnings per share	**7.6**	**547.0**	**1.4p**	6.0	512.3	1.1p
Effect of dilutive securities:						
Share options and share plan awards	**–**	**2.2**	**–**	–	6.7	–
Diluted earnings per share	**7.6**	**549.2**	**1.4p**	6.0	519.0	1.1p
Total group						
Basic earnings per share	**77.6**	**547.0**	**14.2p**	7.9	512.3	1.5p
Effect of dilutive securities:						
Share options and share plan awards	**–**	**2.2**	**(0.1p)**	–	6.7	–
Diluted earnings per share	**77.6**	**549.2**	**14.1p**	7.9	519.0	1.5p

Underlying and cash tax earnings per share may be reconciled to the basic earnings per share as follows:

	2008 pence	2007 pence
Total group		
Basic earnings per share	**14.2**	1.5
Exceptional items, amortisation of acquired intangibles and fair value remeasurements	**0.5**	23.0
Tax on exceptional items, amortisation and fair value remeasurements	**(0.2)**	(7.2)
Exceptional deferred tax charge/(credit)	**0.3**	(7.0)
Underlying earnings per share	**14.8**	10.3
Other deferred tax	**6.6**	5.5
Cash tax earnings per share	**21.4**	15.8

10 Inventories

	2008 £m	2007 £m
Raw materials, consumables and spares	**11.6**	10.8
Goods for resale	**11.0**	13.4
	22.6	24.2

11 Trade and other receivables

	2008 £m	2007 £m
Trade receivables	**149.7**	156.3
Less: allowance for bad and doubtful receivables	**(12.6)**	(12.4)
	137.1	143.9
Other receivables	**22.8**	19.8
	159.9	163.7

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 25. 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 the US 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 account 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, it is not attributable to specific receivables and has not been offset against the aged analysis of past due receivables below.

An ageing analysis of these past due trade receivables is provided as follows:

	Trade receivables past due by:				
	Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	Total £m
Carrying value at 30 April 2008	69.4	28.2	8.1	16.2	121.9
Carrying value at 30 April 2007	78.7	29.5	7.1	15.3	130.6

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 past due trade receivables is as follows:

	Trade receivables past due by:				
	Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	Total £m
Carrying value at 30 April 2008	37.3	10.0	5.4	13.6	66.3
Carrying value at 30 April 2007	41.8	9.4	5.1	12.5	68.8

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

	2008 £m	2007 £m
At 1 May	**12.4**	8.4
Amounts written off and recovered during the year	**(8.1)**	(7.6)
Increase in allowance recognised in income statement	**8.7**	6.9
Acquisitions	**–**	5.1
Currency movements	**0.1**	(0.4)
Transfer to assets held for sale	**(0.5)**	–
At 30 April	**12.6**	12.4

Notes to the consolidated financial statements
Continued

12 Cash and cash equivalents

	2008 £m	2007 £m
Cash and cash equivalents	**1.8**	1.1

Cash and cash equivalents comprise cash held by the Group. The carrying amount of cash and cash equivalents approximates their fair value.

13 Property, plant and equipment

		Rental equipment			Motor vehicles		
	Land and buildings £m	Owned £m	Held under finance leases £m	Office and workshop equipment £m	Owned £m	Held under finance leases £m	Total £m
Cost or valuation							
At 1 May 2006	64.0	920.0	1.9	27.3	14.6	36.3	1,064.1
Exchange difference	(3.0)	(77.4)	(0.2)	(2.2)	(3.2)	(2.6)	(88.6)
Acquisitions	9.4	505.0	0.2	21.0	47.1	8.2	590.9
Reclassifications	–	0.9	(1.5)	0.3	3.3	(3.0)	–
Additions	4.6	256.4	–	6.7	20.0	2.5	290.2
Disposals	(2.9)	(171.2)	–	(5.4)	(7.9)	(3.3)	(190.7)
At 30 April 2007	72.1	1,433.7	0.4	47.7	73.9	38.1	1,665.9
Exchange difference	0.3	11.7	–	0.3	0.7	0.3	13.3
Acquisitions	–	4.9	–	–	–	–	4.9
Reclassifications	(0.5)	(2.0)	(0.1)	1.2	0.1	(2.3)	(3.6)
Additions	7.5	294.8	–	3.3	25.3	0.1	331.0
Disposals	(2.1)	(168.8)	–	(3.6)	(14.8)	(3.6)	(192.9)
Transfer to assets held for sale	–	(46.2)	–	(0.9)	(0.2)	–	(47.3)
At 30 April 2008	**77.3**	**1,528.1**	**0.3**	**48.0**	**85.0**	**32.6**	**1,771.3**

		Rental equipment			Motor vehicles		
	Land and buildings £m	Owned £m	Held under finance leases £m	Office and workshop equipment £m	Owned £m	Held under finance leases £m	Total £m
Depreciation							
At 1 May 2006	18.4	361.4	0.6	20.2	2.2	14.6	417.4
Exchange difference	(0.8)	(29.1)	(0.1)	(1.8)	(1.5)	(0.9)	(34.2)
Acquisitions	1.6	160.6	–	15.8	27.4	0.3	205.7
Reclassifications	–	0.4	(0.6)	0.2	1.8	(1.8)	–
Charge for the period	4.1	138.2	0.2	4.6	7.4	6.2	160.7
Disposals	(1.4)	(118.1)	–	(3.9)	(6.0)	(2.3)	(131.7)
At 30 April 2007	21.9	513.4	0.1	35.1	31.3	16.1	617.9
Exchange difference	0.1	6.0	–	0.3	0.4	0.1	6.9
Acquisitions	–	2.1	–	–	–	–	2.1
Reclassifications	(0.5)	(1.5)	(0.1)	0.6	(0.9)	(1.2)	(3.6)
Charge for the period	3.5	158.7	0.1	5.0	10.7	4.3	182.3
Disposals	(0.8)	(116.0)	–	(3.3)	(11.9)	(3.2)	(135.2)
Transfer to assets held for sale	(0.1)	(28.4)	–	(0.6)	(0.1)	–	(29.2)
At 30 April 2008	**24.1**	**534.3**	**0.1**	**37.1**	**29.5**	**16.1**	**641.2**
Net book value							
At 30 April 2008	**53.2**	**993.8**	**0.2**	**10.9**	**55.5**	**16.5**	**1,130.1**
At 30 April 2007	50.2	920.3	0.3	12.6	42.6	22.0	1,048.0

The amount of rebuild costs capitalised in the year was £3.4m (2007: £5.4m).

During the year we reassessed the estimated useful economic lives and residual values of the rental fleet which reduced the depreciation charge for the year by £3.0m.

14 Intangible assets including goodwill

		Other intangible assets				
	Goodwill £m	Brand names £m	Customer lists £m	Contract related £m	Total £m	Total £m
Cost or valuation						
At 1 May 2006	149.0	–	–	–	–	149.0
Recognised on acquisition	161.2	10.7	1.7	8.6	21.0	182.2
Adjustment to prior year acquisition	0.1	–	–	–	–	0.1
Exchange differences	(20.7)	–	–	(0.3)	(0.3)	(21.0)
At 30 April 2007	289.6	10.7	1.7	8.3	20.7	310.3
Recognised on acquisition	1.5	–	–	1.0	1.0	2.5
Adjustment to prior year acquisition	0.1	–	–	(0.1)	(0.1)	–
Exchange differences	2.7	–	–	–	–	2.7
Transfer to assets held for sale	(2.0)	–	–	–	–	(2.0)
At 30 April 2008	**291.9**	**10.7**	**1.7**	**9.2**	**21.6**	**313.5**
Amortisation						
At 1 May 2006	–	–	–	–	–	–
Charge for the period	–	9.4	0.1	1.5	11.0	11.0
At 30 April 2007	–	9.4	0.1	1.5	11.0	11.0
Charge for the period	–	0.1	0.2	2.3	2.6	2.6
At 30 April 2008	**–**	**9.5**	**0.3**	**3.8**	**13.6**	**13.6**
Net book value						
At 30 April 2008	**291.9**	**1.2**	**1.4**	**5.4**	**8.0**	**299.9**
At 30 April 2007	289.6	1.3	1.6	6.8	9.7	299.3

Goodwill acquired in a business combination was allocated, at acquisition, to the reporting units that benefited from that business combination, as follows:

	2008 £m	2007 £m
Sunbelt	**277.6**	274.9
A-Plant	**14.3**	12.7
Continuing operations	**291.9**	287.6
Discontinued operations – Ashtead Technology	**2.0**	2.0
	293.9	289.6

For the purposes of determining potential goodwill impairment, recoverable amounts are determined from value in use calculations using cash flow projections based on approved financial plans covering a three year period. The growth rate assumptions used in the plans were based on past performance and management's expectations of market developments. The annual growth rate used to determine the cash flows beyond the three year period is 2% and does not exceed the average long-term growth rates for the relevant markets. The pre-tax rate used to discount the projected cash flows for Sunbelt is 9%.

Notes to the consolidated financial statements
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15 Trade and other payables

	2008 £m	2007 £m
Trade payables	**43.8**	55.8
Other taxes and social security	**12.9**	13.6
Accruals and deferred income	**72.4**	97.4
	129.1	166.8

Trade and other payables include amounts relating to the purchase of fixed assets of £24.1m (2007: £47.0m). The fair values of trade and other payables are not materially different from the carrying values presented.

16 Borrowings

	2008 £m	2007 £m
Current		
First priority senior secured bank debt	**1.3**	1.3
Finance lease obligations	**6.3**	7.7
	7.6	9.0
Non-current		
First priority senior secured bank debt	**554.8**	504.6
Finance lease obligations	**8.9**	14.3
8.625% second priority senior secured notes, due 2015	**122.2**	120.6
9% second priority senior secured notes, due 2016	**271.4**	268.3
Loan notes	**0.1**	0.2
	957.4	908.0

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.

First priority senior secured credit facility

The $1.75bn first priority asset based senior secured loan facility ('ABL facility') consists of a $1.5bn revolving credit facility and a $250m term loan and is secured by a first priority interest in substantially all of the Group's assets. Pricing for the revolver loan is based on the ratio of funded debt to EBITDA before exceptional items according to a grid which varies, depending on leverage, from LIBOR plus 225bp to LIBOR plus 150bp. At 30 April 2008 the Group's borrowing rate was LIBOR plus 150bp. The term loan is priced at LIBOR plus 175bp.

The ABL facility carries minimal amortisation of 1% per annum ($2.5m) on the term loan and is committed until August 2011. The ABL facility includes a springing covenant package under which quarterly financial performance covenants are tested only if available liquidity is less than $125m. Available liquidity at 30 April 2008 was £299m ($592m) reflecting drawings under the facility at that date together with outstanding letters of credit of £15.7m ($31.1m). As the ABL facility is asset based, the maximum amount available to be borrowed (which includes drawings in the form of standby letters of credit) depends on asset values (receivables, inventory, rental equipment and real estate) which are subject to periodic independent appraisal. The maximum amount which could be drawn at 30 April 2008 was £883m ($1,748m).

8.625% second priority senior secured notes due 2015 having a nominal value of $250m

On 3 August 2005 the Group, through its wholly owned subsidiary Ashtead Holdings plc, issued $250m of 8.625% second priority senior secured notes due 1 August 2015. The notes are secured by second priority security interests over substantially the same assets as the ABL facility and are also guaranteed by Ashtead Group plc.

16 Borrowings continued

9% second priority senior secured notes due 2016 having a nominal value of $550m

On 15 August 2006 the Group, through its wholly owned subsidiary Ashtead Capital, Inc., issued $550m of 9% second priority senior secured notes due 15 August 2016. 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. Both note issues rank pari passu on a second lien basis.

Under the terms of both the 8.625% and 9% 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.

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

		2008	2007
First priority senior secured bank debt	– revolving advances in dollars	**4.25%**	7.13%
	– term loan advances in dollars	**4.5%**	7.13%
	– revolving advances in sterling	**7.0%**	7.30%
Secured notes	– $250m nominal value	**8.625%**	8.625%
	– $550m nominal value	**9.0%**	9.0%
Finance leases		**7.0%**	7.0%

17 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Amounts payable under finance leases:				
Less than one year	**7.1**	8.9	**6.3**	7.7
Later than one year but not more than five	**9.5**	16.3	**8.9**	14.3
	16.6	25.2	**15.2**	22.0
Future finance charges	**(1.4)**	(3.2)		
	15.2	22.0		

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	Other £m	Total £m
At 1 May 2007	20.8	11.5	32.3
Exchange differences	0.2	–	0.2
Utilised	(13.8)	(5.8)	(19.6)
Charged in the year	13.4	0.5	13.9
Amortisation of discount	1.1	–	1.1
At 30 April 2008	**21.7**	**6.2**	**27.9**

	2008 £m	2007 £m
Included in current liabilities	**9.1**	12.7
Included in non-current liabilities	**18.8**	19.6
	27.9	32.3

Self insurance provisions relate to the discounted estimated liability in respect of costs to be incurred under the Group's self-insured 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 £1.2m adjustment to reduce the provision held at 1 May 2007.

Other provisions relate primarily to vacant property costs which are expected to be utilised over a period of up to five years.

Notes to the consolidated financial statements
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19 Deferred tax
Deferred tax assets

	Tax losses £m	Other temporary differences £m	Total £m
At 1 May 2007	–	41.7	41.7
Offset against deferred tax liability at 1 May 2007	26.2	30.1	56.3
Exchange differences	0.1	0.3	0.4
Charge to income statement	(15.9)	(13.6)	(29.5)
Charge to equity	–	(1.4)	(1.4)
Transfer to assets held for sale	–	(1.1)	(1.1)
Less offset against deferred tax liability	(10.4)	(36.4)	(46.8)
At 30 April 2008	**–**	**19.6**	**19.6**

Deferred tax liabilities

	Accelerated tax depreciation £m	Other temporary differences £m	Total £m
At 1 May 2007	137.7	0.6	138.3
Exchange differences	1.5	–	1.5
Charge to income statement	6.8	0.5	7.3
Transfer to assets held for sale	(2.0)	–	(2.0)
	144.0	1.1	145.1
Less offset of deferred tax assets			
– benefit of tax losses			(10.4)
– other temporary differences			(36.4)
At 30 April 2008			**98.3**

The Group has an unrecognised UK deferred tax asset of £2.0m (2007: £2.0m) in respect of losses, as it is not considered probable this deferred tax asset will be utilised.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £15.5m (2007: £11.6m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

20 Called up share capital

	2008 Number	2007 Number	**2008 £m**	2007 £m
Ordinary shares of 10p each				
Authorised	**900,000,000**	900,000,000	**90.0**	90.0
Issued and fully paid:				
At 1 May	**559,898,348**	404,334,066	**56.0**	40.4
Allotted under share option schemes	**1,789,379**	3,324,267	**0.2**	0.4
Allotted through rights issue	**–**	152,240,015	**–**	15.2
At 30 April	**561,687,727**	559,898,348	**56.2**	56.0

In the year ended 30 April 2008, 1,789,379 ordinary shares of 10p each were issued at an average price of 28.4p per share under share option plans raising £0.5m. In addition, during the year the Company purchased 31,758,096 shares at a total cost of £23.3m, which are held in treasury and the ESOT purchased 1,253,962 shares at a total cost of £1.6m.

21 Reconciliation of changes in shareholders' funds

	Share capital £m	Share premium account £m	Non-distributable reserve £m	Treasury stock £m	Own shares held by ESOT £m	Cumulative foreign exchange translation differences £m	Distributable reserves £m	Total £m
At 1 May 2006	40.4	3.2	90.7	–	(4.2)	(17.2)	145.4	258.3
Total recognised income and expense	–	–	–	–	–	(13.0)	12.0	(1.0)
Shares issued	15.6	0.1	–	–	–	–	133.2	148.9
Dividends	–	–	–	–	–	–	(7.0)	(7.0)
Share-based payments	–	–	–	–	–	–	2.4	2.4
Vesting of share awards	–	–	–	–	0.4	–	(0.4)	–
Own shares purchased	–	–	–	–	(4.9)	–	–	(4.9)
At 30 April 2007	56.0	3.3	90.7	–	(8.7)	(30.2)	285.6	396.7
Total recognised income and expense	–	–	–	–	–	2.0	69.8	71.8
Shares issued	0.2	0.3	–	–	–	–	–	0.5
Treasury shares purchased	–	–	–	(23.3)	–	–	–	(23.3)
Dividends	–	–	–	–	–	–	(10.5)	(10.5)
Share-based payments	–	–	–	–	–	–	2.5	2.5
Vesting of share awards	–	–	–	–	3.3	–	(3.3)	–
Own shares purchased	–	–	–	–	(1.6)	–	–	(1.6)
At 30 April 2008	**56.2**	**3.6**	**90.7**	**(23.3)**	**(7.0)**	**(28.2)**	**344.1**	**436.1**

22 Share-based payments

The Employee Share Option Trust ('ESOT') facilitates the provision of shares under certain of the Group's share-based remuneration plans. It holds a beneficial interest in 6,373,382 ordinary shares of the Company acquired at an average cost of 110.2p per share. The ESOT owned directly 4,786,097 of these shares and a further 1,587,285 shares were registered in the name of Performance Share Plan participants on terms which require that the award shares are transferred back to the ESOT to the extent that the performance targets are not met. The shares had a market value of £3.9m at 30 April 2008. The ESOT and the plan participants have waived the right to receive dividends on the shares they hold. The costs of operating the ESOT are borne by the Group but are not significant.

The Group has recognised the fair value of share-based payments to employees based on grants of shares since 7 November 2002 (the transitional date for IFRS 2, Share-based payments).

Cash Incentive Plan

The Cash Incentive Plan ('CIP') is an award of units which are subject to the same performance conditions as apply to the Company's unapproved share option scheme. Awards were granted under this plan in 2000 and 2001 and are exercisable up to February 2010 and 2011, respectively, as all performance conditions have been satisfied. On exercise by the option holder, the difference between the mid-market price of Ashtead Group plc shares on that day and the grant prices of 94.09p and 115.31p, for the 2000 and 2001 awards respectively, multiplied by the number of units held will be paid by way of a cash award to the holder, net of applicable taxes.

In 2008 the credit in respect of the CIP was £179,000 (2007: £289,000). The fair value of the awards at 30 April 2008 was based on the share price on that date.

Investment Incentive Plan

Details of the Investment Incentive Plan ('IIP') are given on page 37. The costs of this scheme are charged to the income statement over the vesting period, based upon the fair value of the award at the grant date and the likelihood of allocations vesting under the scheme. In 2008 the charge in respect of the IIP was £53,000 (2007: £160,000). There are no awards outstanding under the IIP at 30 April 2008. The fair value of awards granted during 2004 was estimated using a Black-Scholes option pricing model with the following assumptions: share price at grant date of 48.50p, nil exercise price, no dividend yield, volatility of 125.4%, a risk free rate of 4.9% and an expected life of three years.

Notes to the consolidated financial statements
Continued

22 Share-based payments continued

Expected volatility was determined by calculating the historical volatility over the previous three years. The expected life used in the model was based on the terms of the plan.

Performance Share Plan

Details of the Performance Share Plan ('PSP') are given on page 37. 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 2008, the charge in respect of the PSP was £2,070,000 (2007: £1,275,000).

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 140.25p, nil exercise price, a dividend yield of 1.18%, volatility of 34.4%, a risk free rate of 5.43% 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.

Discretionary share option schemes

Details of the discretionary share option schemes are given on page 37. In accordance with the transitional provisions of IFRS 2, Share-based payments, the Group has not recognised any expense for these schemes as they were all granted prior to 7 November 2002.

Save-As-You-Earn (SAYE) schemes

The costs of SAYE schemes are charged to the income statement over the vesting period based upon the fair value of the award at the grant date. In 2008 the charge in respect of SAYE schemes was £292,000 (2007: £286,000). No awards were granted during 2007/8.

	Discretionary schemes		SAYE			
	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	IIP Number	PSP Number
2005/6						
Outstanding at 1 May 2005	11,809,692	105.797	4,243,507	28.413	1,163,970	1,831,500
Granted	–	–	398,777	115.430	–	1,899,399
Forfeited	(507,234)	120.544	(124,396)	32.369	–	(88,453)
Exercised	(4,815,598)	80.813	(93,188)	48.774	(176,469)	–
Expired	–	–	(197,774)	37.403	–	–
Outstanding at 30 April 2006	6,486,860	123.191	4,226,926	35.637	987,501	3,642,446
Exercisable at 30 April 2006	6,486,860	123.191	33,674	31.233	–	–
2006/7						
Outstanding at 1 May 2006	6,486,860	123.191	4,226,926	35.637	987,501	3,642,446
Granted	–	–	555,938	132.400	–	1,759,087
Rights issue uplift	505,874	–	287,945	–	83,045	296,891
Forfeited	(32,077)	107.541	(77,270)	80.408	–	(210,252)
Exercised	(1,993,853)	90.741	(1,330,414)	25.385	–	–
Expired	(4,336)	124.223	(183,483)	88.572	–	–
Outstanding at 30 April 2007	4,962,468	123.876	3,479,642	48.911	1,070,546	5,488,172
Exercisable at 30 April 2007	4,962,468	123.876	81,380	23.246	–	–
2007/8						
Outstanding at 1 May 2007	4,962,468	123.876	3,479,642	48.911	1,070,546	5,488,172
Granted	–	–	–	–	–	2,252,237
Forfeited	–	–	(189,694)	63.928	–	(139,068)
Exercised	(23,578)	44.442	(1,772,448)	28.220	(1,070,546)	(2,100,781)
Expired	(1,346,487)	170.384	(190,467)	109.423	–	–
Outstanding at 30 April 2008	3,592,403	106.965	1,327,033	65.705	–	5,500,560
Exercisable at 30 April 2008	3,592,403	106.965	43,417	22.388	–	–

22 Share-based payments continued

Options outstanding at 30 April 2008:

	Discretionary schemes			SAYE		
Year of grant	Weighted average exercise price (p)	Number of shares	Latest exercise date	Weighted average exercise price (p)	Number of shares	Latest exercise date
1998/9	160.320	763,910	26 Feb 09	–	–	–
1999/2000	94.039	186,828	08 Mar 10	–	–	–
2000/1	108.378	2,041,398	16 Aug 10	–	–	–
2001/2	38.282	600,267	26 Feb 12	–	–	–
2002/3	–	–	–	22.388	711,808	31 Oct 08
2005/6	–	–	–	106.480	248,038	30 Apr 09
2006/7	–	–	–	122.134	367,187	28 Feb 10
		3,592,403			1,327,033	

The weighted average exercise price during the period for options exercised over the year was 44.442p (2007: 90.741p) for discretionary schemes and 28.179p (2007: 25.385p) for SAYE schemes. The total charge for the year relating to employee share-based payment plans was £2.2m (2007: £2.0m), comprising a £2.4m charge for equity-settled share-based payment transactions and a £0.2m credit relating to cash-settled share-based payment transactions. After deferred tax, the total charge was £1.6m (2007: £1.5m).

23 Operating leases

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

	2008 £m	2007 £m
Land and buildings:		
Expiring in one year	**4.3**	1.7
Expiring between two and five years	**13.1**	16.6
Expiring in more than five years	**18.1**	12.8
	35.5	31.1
Other:		
Expiring in one year	**0.5**	0.5
Expiring between two and five years	**1.3**	3.6
	1.8	4.1
Total	**37.3**	35.2

Total minimum commitments under existing operating leases at 30 April 2008 through to the end of their respective term by year are as follows:

Financial year	Land and buildings £m	Other £m	Total £m
2009	35.5	1.8	37.3
2010	29.2	0.9	30.1
2011	25.0	–	25.0
2012	21.8	–	21.8
2013	19.4	–	19.4
Thereafter	93.1	–	93.1
	224.0	2.7	226.7

Notes to the consolidated financial statements
Continued

24 Pensions
The Group operates pension plans for the benefit of qualifying employees. The major plans for new employees throughout the Group are all defined contribution plans following the introduction of the stakeholder pension plan for UK employees in May 2002. Pension costs for defined contribution plans were £3.9m (2007: £3.6m).

The Group also has a defined benefit plan for UK employees which was closed to new members in 2001. This plan is a funded defined benefit plan with trustee administered assets held separately from those of the Group. A full actuarial valuation was carried out as at 30 April 2007 and updated to 30 April 2008 by a qualified independent actuary. The principal assumptions made by the actuary were as follows:

	2008	2007
Rate of increase in salaries	**4.50%**	4.25%
Rate of increase in pensions in payment	**3.50%**	3.25%
Discount rate	**6.25%**	5.50%
Inflation assumption	**3.50%**	3.25%
Expected return on plan assets	**7.50%**	7.40%

Pensioner life expectancy assumed in the 30 April 2008 update is based on the PA00 'medium cohort' mortality tables adjusted so as to apply a minimum annual rate of improvement of 1.5% a year. Samples of the ages to which pensioners are assumed to live are as follows:

	Male	Female
Pensioner aged 65 in 2008	87.9	90.5
Pensioner aged 65 in 2020	89.7	92.2

The amounts recognised in the income statement are as follows:

	2008 £m	2007 £m
Current service cost	**0.9**	1.1
Interest cost	**2.9**	2.5
Expected return on plan assets	**(4.3)**	(3.8)
Total income	**(0.5)**	(0.2)

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

	2008 £m	2007 £m
Fair value of plan assets	**55.3**	57.6
Present value of defined benefit obligation	**(49.5)**	(52.4)
Funded status	**5.8**	5.2
Effect of the limit on the net asset to be recognised	**(5.8)**	–
Net asset recognised in the balance sheet	**–**	5.2

Following the 2007 triennial actuarial valuation of the pension fund, which reflects the requirements of the Pensions Act 2006, the minimum level of annual contributions has increased significantly. Accordingly, under IAS 19, the surplus in the plan can no longer be recognised on the balance sheet as the Company cannot access it directly; rather it has instead been written off through reserves.

24 Pensions continued

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

	2008 £m	2007 £m
At 1 May	**52.4**	50.5
Current service cost	**0.9**	1.1
Interest cost	**2.9**	2.5
National Insurance rebates received	**0.4**	–
Contributions from members	**0.5**	0.6
Actuarial gain	**(6.6)**	(1.6)
Benefits paid	**(1.0)**	(0.7)
	49.5	52.4

The actuarial gain in the year ended 30 April 2008 reflects the increase in the required discount rate (that for AA rated corporate bonds) in the year from 5.5% to 6.25% which reduced the discounted amount of accrued defined benefit obligations.

Movements in the fair value of plan assets were as follows:

	2008 £m	2007 £m
At 1 May	**57.6**	52.2
Expected return on plan assets	**4.3**	3.8
Actual return on plan assets (below)/in excess of expected return	**(7.2)**	0.9
Contributions from the sponsoring companies	**0.7**	0.8
National Insurance rebates received	**0.4**	–
Contributions from members	**0.5**	0.6
Benefits paid	**(1.0)**	(0.7)
	55.3	57.6

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected return		Fair value	
	2008 %	2007 %	2008 £m	2007 £m
Equity instruments	**8.0**	7.7	**36.5**	43.7
Bonds	**6.0**	5.2	**13.0**	7.7
Property	**8.0**	7.7	**5.4**	6.1
Cash	**–**	–	**0.4**	0.1
			55.3	57.6

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected return on equities is the sum of inflation, the dividend yield, economic growth and investment expenses. The return on gilts and bonds is the current market yield on long term gilts and bonds. The expected return on other assets is the current interest rate set by the Bank of England.

Notes to the consolidated financial statements
Continued

24 Pensions continued
The history of experience adjustments is as follows:

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Fair value of scheme assets	**55.3**	57.6	52.2	34.5	29.4
Present value of defined benefit obligations	**(49.5)**	(52.4)	(50.5)	(50.7)	(42.1)
Surplus/(deficit) in the scheme	**5.8**	5.2	1.7	(16.2)	(12.7)
Experience adjustments on scheme liabilities					
Gain/(loss)	**6.6**	1.6	(5.1)	(4.2)	(0.7)
Percentage of scheme liabilities	**13%**	3%	(10%)	(8%)	(2%)
Experience adjustments on scheme assets					
(Loss)/gain (£m)	**(7.2)**	0.9	5.3	0.5	2.9
Percentage of the present value of the scheme assets	**(13%)**	2%	10%	1%	10%

The cumulative actuarial losses recognised in the statement of recognised income and expense since the adoption of IFRS are £1.6m. In addition, the surplus of £5.8m was derecognised in 2008.

The estimated amount of contributions expected to be paid by the Company to the plan during the current financial year is £0.7m.

25 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 in sterling and pays dividends in 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. 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 (US dollars or pounds) plus 150bp for revolver borrowings and LIBOR plus 175bp for term borrowings. 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 2008, the Group had no such outstanding swap agreements. The Group also holds cash and cash equivalents, which earn interest at a variable rate.

25 Financial risk management continued

Net variable rate debt sensitivity

At 30 April 2008, based upon the amount of variable rate debt outstanding, the Group's pre-tax profits would change by approximately £6m for each one percentage point change in interest rates applicable to the variable rate debt and equity would change by approximately £4m. The amount of the Group's variable rate debt may fluctuate as a result of changes in the amount of debt outstanding under the revolving tranches of 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, a majority of our assets, liabilities, revenue and costs is denominated in US dollars. The Group has arranged its financing such that approximately 90% of its debt is also denominated in US 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.

The Group's exposure to exchange rate movements on trading transactions is relatively limited. All Group companies invoice revenues in their respective local currency and generally incur expense and purchase assets in their local currency. Consequently, the Group does not routinely hedge either forecast foreign exchange exposures or the impact of exchange rate movements on the translation of overseas profits into sterling. Where the Group does hedge, it maintains appropriate hedging documentation. Foreign exchange risk on significant non-trading transactions (e.g. acquisitions) is considered on an individual basis.

Resultant impacts of reasonably possible changes to foreign exchange rates

Based upon the level of US operations and of the US dollar-denominated debt balance and US interest rates at 30 April 2008, a 1% change in the US dollar-pound exchange rate would impact our pre-tax profits by approximately £0.9m and equity by approximately £2.0m. At 30 April 2008, 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.

	2008 £m	2007 £m
Cash and cash equivalents	**1.8**	1.1
Trade and other receivables	**159.9**	163.7
	161.7	164.8

The Group has a large number of unrelated customers, serving over 800,000 during the financial year, and does not have any significant credit exposure to any particular customer. Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the markets they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across the Group, such as the use of credit rating agencies and the maintenance of a credit control function.

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 (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 is available to the Group to invest in growth capital expenditure, acquisitions and dividend payments 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 2008, availability under this facility was $592m (£299m).

Notes to the consolidated financial statements
Continued

25 Financial risk management continued

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.

At 30 April 2008

	Undiscounted cash flows – year to 30 April						
	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	Thereafter £m	Total £m
Bank and other debt	1.3	1.3	1.3	557.3	–	–	561.2
Finance leases	6.3	5.7	3.0	0.2	–	–	15.2
8.625% senior secured notes	–	–	–	–	–	126.2	126.2
9.0% senior secured notes	–	–	–	–	–	277.7	277.7
	7.6	7.0	4.3	557.5	–	403.9	980.3
Interest payments	55.7	57.9	58.7	41.6	35.9	105.7	355.5
	63.3	64.9	63.0	599.1	35.9	509.6	1,335.8

At 30 April 2007

	Undiscounted cash flows – year to 30 April						
	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	Thereafter £m	Total £m
Bank and other debt	1.3	1.3	1.3	1.3	507.4	–	512.6
Finance leases	7.7	5.7	5.5	3.0	0.1	–	22.0
8.625% senior secured notes	–	–	–	–	–	125.0	125.0
9.0% senior secured notes	–	–	–	–	–	275.0	275.0
	9.0	7.0	6.8	4.3	507.5	400.0	934.6
Interest payments	69.9	68.1	67.5	67.0	43.5	140.9	456.9
	78.9	75.1	74.3	71.3	551.0	540.9	1,391.5

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and, with cognisance of forecast future market conditions, to maintain an optimal capital structure.

In order to manage the short and long term capital structure, the Group adjusts the amount of ordinary dividends paid to shareholders, returns capital to shareholders (for example, share buy-backs) and arranges appropriate financing to fund business investment and mergers and acquisitions.

The Group seeks to maintain leverage of between 2 to 3 times net debt to EBITDA over the economic cycle.

Fair value of financial instruments

Net fair values of derivative financial instruments

At 30 April 2008, the Group's embedded prepayment options included within its secured loan notes had a combined fair value of £nil (2007: £nil). At 30 April 2008, the Group had no other derivative financial instruments.

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 2008. Fair value is the amount at which a financial instrument could be exchanged in an arms 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.

25 Financial risk management continued

	At 30 April 2008		At 30 April 2007	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Fair value of non-current borrowings:				
Long-term borrowings				
– first priority senior secured bank debt	**559.8**	**551.1**	511.1	511.1
– finance lease obligations	**8.9**	**9.0**	14.3	14.7
– 8.625% senior secured notes	**126.2**	**107.9**	125.0	130.0
– 9% senior secured notes	**277.7**	**238.8**	275.0	296.3
– other loan notes	**0.1**	**0.1**	0.2	0.2
	972.7	**906.9**	925.6	952.3
Deferred costs of raising finance	**(15.3)**	**–**	(17.6)	–
	957.4	**906.9**	908.0	952.3

	At 30 April 2008		At 30 April 2007	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Fair value of other financial instruments held or issued to finance the Group's operations:				
Short-term borrowings	**1.3**	**1.3**	1.3	1.3
Finance lease obligations due within one year	**6.3**	**6.4**	7.7	7.9
Trade and other payables	**129.2**	**129.2**	166.8	166.8
Trade and other receivables	**(159.9)**	**(159.9)**	(163.7)	(163.7)
Cash at bank and in hand	**(1.8)**	**(1.8)**	(1.1)	(1.1)

26 Notes to the cash flow statement

a) Cash flow from operating activities

	2008 £m	2007 £m
Operating profit before exceptional items and amortisation		
– continuing operations	**187.1**	144.3
– discontinued operations	**10.6**	6.2
	197.7	150.5
Depreciation		
– continuing operations	**176.6**	155.0
– discontinued operations	**5.7**	4.8
EBITDA before exceptional items	**380.0**	310.3
Profit on disposal of property, plant and equipment	**(10.1)**	(11.8)
Decrease in inventories	**1.7**	14.8
(Increase)/decrease in trade and other receivables	**(16.1)**	7.2
Decrease in trade and other payables	**(2.5)**	(4.6)
Exchange differences	**1.0**	1.1
Other non-cash movements	**2.4**	2.3
Cash generated from operations before exceptional items	**356.4**	319.3

Notes to the consolidated financial statements
Continued

26 Notes to the cash flow statement continued

b) Reconciliation to net debt

	2008 £m	2007 £m
Increase in cash in the period	**(0.7)**	(0.1)
Increase in debt through cash flow	**35.8**	238.8
Change in net debt from cash flows	**35.1**	238.7
Exchange differences	**9.8**	(64.7)
Debt acquired	**–**	232.8
Non-cash movements		
– deferred costs of debt raising	**2.4**	13.0
– capital element of new finance leases	**–**	2.5
Movement in net debt in the period	**47.3**	422.3
Net debt at 1 May	**915.9**	493.6
Net debt at 30 April	**963.2**	915.9

c) Analysis of net debt

	1 May 2007 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	30 April 2008 £m
Cash and cash equivalents	(1.1)	–	(0.7)	–	(1.8)
Debt due within one year	9.0	–	(6.9)	5.5	7.6
Debt due after one year	908.0	9.8	42.7	(3.1)	957.4
Total net debt	915.9	9.8	35.1	2.4	963.2

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

d) Acquisitions

	2008 £m	2007 £m
Cash consideration	**5.9**	327.0
Less: Cash acquired	**–**	(6.2)
Attributable costs paid	**–**	6.4
	5.9	327.2

27 Acquisitions

In November 2007 A-Plant acquired the in-house site accommodation rental fleet of one of its customers and entered into a five year sole supply agreement to provide that customer's site accommodation needs. The consideration paid of £5.9m has been allocated between the fair value of the acquired assets (£3.4m), the intangible asset relating to the supply contract (£1.0m) and goodwill (£1.5m).

28 Contingent liabilities

The Group is subject to periodic legal claims in the ordinary course of its business. However, the claims outstanding at 30 April 2008, net of provisions held, are not expected to have a significant impact on the Group's financial position.

The Company has guaranteed the borrowings of its subsidiary undertakings under the Group's senior secured credit and overdraft facilities. At 30 April 2008 the amount borrowed under these facilities was £561.1m (2007: £512.4m). Additionally, subsidiary undertakings are able to obtain letters of credit under these facilities which are also guaranteed by the Company and, at 30 April 2008, letters of credit issued under these arrangements totalled £15.7m ($31.1m). Additionally the Company has guaranteed the 8.625% second priority senior secured notes with a par value of $250m (£126m) and 9% second priority senior secured notes with a par value of $550m (£278m), issued by Ashtead Holdings plc and Ashtead Capital, Inc., respectively.

28 Contingent liabilities continued

The Company has guaranteed operating and finance lease commitments of subsidiary undertakings where the minimum lease commitment at 30 April 2008 totalled £66.6m (2007: £69.4m) in respect of land and buildings and £8.2m (2007: £19.8m) in respect of other lease rentals of which £5.3m and £5.0m respectively is payable by subsidiary undertakings in the year ending 30 April 2009.

The Company has guaranteed the performance by subsidiaries of certain other obligations up to £1.4m (2007: £0.3m).

29 Capital commitments

At 30 April 2008 capital commitments in respect of purchases of rental and other equipment totalled £108.1m (2007: £75.0m), all of which had been ordered. There were no other material capital commitments at the year end.

30 Related party transactions

During the year, Sunbelt reimbursed Mr Miller accommodation costs of £10,460 (2007: £9,420). This related to an apartment leased on an arms length basis from CE Property Management, a partnership in which Mr Miller is a partner.

31 Employees

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

	2008	2007
North America	**7,324**	6,556
United Kingdom	**2,462**	2,401
Rest of World	**12**	11
	9,798	8,968

32 New accounting standards

The Group has not adopted early the following pronouncements, which have been issued by the IASB or the International Financial Reporting Interpretations Committee ('IFRIC'), but have not yet been endorsed for use in the EU.

An amendment to IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations was issued in January 2008 and will be effective retrospectively for annual periods beginning on or after 1 January 2009. This amendment clarifies that vesting conditions are service conditions and performance conditions only, and as such, any other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group is currently assessing the impact and expected timing of adoption of this amendment on the Group's results and financial position.

IFRS 3 (Revised) – Business Combinations was issued in January 2008 and will apply to business combinations occurring on or after 1 April 2010. The revised standard introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that a business acquisition occurs and future reported results. Assets and liabilities arising from business combinations before 1 April 2010 will not be restated and thus there will be no effect on the Group's results or financial position on adoption. However, this standard is likely to have a significant impact on the accounting for business acquisitions post adoption.

IAS 1 (Revised) – Presentation of Financial Statements was issued in September 2007 and will be effective for annual periods beginning on or after 1 January 2009. The revised standard introduces the concept of a statement of comprehensive income, which enables users of the financial statements to analyse changes in a company's equity resulting from transactions with owners separately from non-owner changes. The revised standard provides the option of presenting items of income and expense and components of other comprehensive income either as a single statement of comprehensive income or in two separate statements. The Group does not believe the adoption of this revised standard will have a material impact on the consolidated results or financial position of the Group.

IAS 23 (Revised) – Borrowing Costs was issued in March 2007 and will be effective for annual periods beginning on or after 1 January 2009. It requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of a qualifying asset. The existing option of immediate recognition of those borrowing costs as an expense has been removed. The Group does not believe the adoption of this revised standard will have a material impact on the consolidated results or financial position of the Group.

Notes to the consolidated financial statements
Continued

32 New accounting standards continued
An amendment to IAS 27 – Consolidated and Separate Financial Statements was issued in January 2008 and is effective for annual periods beginning on or after 1 July 2009. The amendment requires that when a transaction occurs with non-controlling interests in Group entities that does not result in a change in control, the difference between the consideration paid or received and the recorded non-controlling interest should be recognised in equity. In cases where control is lost, any retained interest should be remeasured to fair value with the difference between fair value and the previous carrying value being recognised immediately in the income statement. Transactions occurring before 1 April 2010 will not be restated and thus there will be no effect on the Group's results or financial position on adoption.

Amendments to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation was issued in February 2008 and is effective for annual periods beginning on or after 1 January 2009. The amendments require entities to classify certain financial instruments as equity if certain specific criteria are met. The Group is currently assessing the impact and expected timing of adoption of this amendment on the Group's results and financial position.

IFRIC 12 – Service Concession Arrangements was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2008. The interpretation addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements. The Group does not believe the adoption of this pronouncement will have a material impact on the consolidated results or financial position of the Group.

IFRIC 13 – Customer Loyalty Programmes was issued in June 2007 and will be effective for annual periods beginning on or after 1 July 2008. The interpretation addresses how companies that grant their customers loyalty award credits when buying goods or services should account for their obligation to provide free or discounted goods and services if and when the customers redeem the credits. It requires that consideration received be allocated between the award credits and the other components of the sale. The Group does not believe the adoption of this pronouncement will have a material impact on the consolidated results or financial position of the Group.

IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction was issued in July 2007 and is effective for annual periods beginning on or after 1 January 2008. The interpretation provides guidance on determining the amount of any post employment benefit surplus that could be recognised as an asset on the balance sheet, how a minimum funding requirement affects that measurement, and when a minimum funding requirement can create an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under IAS 19. The Group will adopt this interpretation with effect from 1 May 2008 but does not believe the adoption of this pronouncement will have a material impact on the consolidated results or financial position of the Group.

'Improvements to IFRSs' was issued in May 2008 and its requirements are effective over a range of dates, with the earliest effective date being for annual periods beginning on or after 1 January 2009. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project. While the Group is assessing the impact and expected timing of adoption of these amendments on the Group's results and financial position, the amendment to IAS 16 – Property, plant and equipment, related to the sale of assets for rental will impact the Group's reported revenues and cash flows. The estimated effects of adoption of this amendment on our 2008 reported results can be summarised as follows:

	Reported £m	Amended £m
Revenue	976.1	1,043.5
Operating costs	(612.4)	(679.8)
EBITDA	363.7	363.7
Depreciation and amortisation	(179.2)	(179.2)
Operating profit	184.5	184.5
Net cash from operating activities	264.1	41.1
Net cash used in investing activities	(264.7)	(41.7)

33 Parent company information

a) Balance Sheet of the Company, Ashtead Group plc

	Note	2008 £m	2007 £m
Current assets			
Prepayments and accrued income		**1.1**	0.2
Non-current assets			
Investments in Group companies	(e)	**363.7**	363.7
Total assets		**364.8**	363.9
Current liabilities			
Amounts due to subsidiary undertakings		**40.0**	8.6
Accruals and deferred income		**3.5**	2.9
		43.5	11.5
Non-current liabilities			
Loan notes		**0.1**	0.2
		0.1	0.2
Total liabilities		**43.6**	11.7
Equity shareholders' funds			
Share capital	(g)	**56.2**	56.0
Share premium account	(g)	**3.6**	3.3
Non-distributable reserve	(g)	**90.7**	90.7
Own shares held by the Company	(g)	**(23.3)**	–
Own shares held through the ESOT	(g)	**(7.0)**	(8.7)
Distributable reserves	(g)	**201.0**	210.9
Total equity shareholders' funds		**321.2**	352.2
Total liabilities and equity shareholders' funds		**364.8**	363.9

These financial statements were approved by the Board on 23 June 2008.

G Drabble
Chief Executive

SI Robson
Finance Director

Notes to the consolidated financial statements
Continued

33 Parent company information continued

b) Cash flow statement of the Company, Ashtead Group plc

	Note	2008 £m	2007 £m
Cash flows from operating activities			
Cash (used by)/generated from operations before exceptional items	(h)	**34.6**	(50.8)
Exceptional items		**–**	(0.1)
Net cash from operating activities		**34.6**	(50.9)
Cash flows from investing activities			
Increase in investment in subsidiary		**–**	(86.1)
Cash flows from financing activities			
Redemption of loans		**(0.1)**	–
Purchase of own shares by the Company		**(22.9)**	–
Purchase of own shares by the ESOT		**(1.6)**	(4.9)
Proceeds from issue of ordinary shares		**0.5**	148.9
Dividends paid		**(10.5)**	(7.0)
Net cash (used in)/from financing activities		**(34.6)**	137.0
Decrease in cash and cash equivalents		**–**	–

c) Accounting policies

The Company financial statements have been prepared on the basis of the accounting policies set out in note 1 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.

d) Income statement

Ashtead Group plc has not presented its own profit and loss account as permitted by section 230 (3) of the Companies Act 1985. The amount of the profit for the financial year dealt with in the accounts of Ashtead Group plc is £1.4m (2007: loss of £0.6m).

e) Investments

	Shares in Group companies £m
At 30 April 2007 and 2008	363.7

The Company's principal subsidiaries are:

Name	Country of incorporation	Principal country in which subsidiary undertaking operates
Ashtead Holdings plc	England	United Kingdom
Sunbelt Rentals, Inc.	USA	USA
Ashtead Plant Hire Company Limited	England	United Kingdom
Ashtead Technology Limited	Scotland	United Kingdom
Ashtead Technology (South East Asia) pte Limited	Singapore	Singapore
Ashtead Technology, Inc.	USA	USA

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. The principal activity of Ashtead Holdings plc is an investment holding company. The principal activity of each other subsidiary undertaking listed above is equipment rental. Ashtead Group plc owns all the issued share capital of Ashtead Holdings plc which in turn holds all of the other subsidiaries listed above except for Sunbelt Rentals, Inc. and Ashtead Technology, Inc. which Ashtead Holdings plc owns indirectly through another subsidiary undertaking.

33 Parent company information continued

f) Financial instruments

The book value and fair value of the Company's financial instruments are equal.

The Company's financial liabilities mature between 2-5 years.

g) Reconciliation of changes in shareholders' funds

	Share capital £m	Share premium account £m	Non-distributable reserve £m	Treasury Stock £m	Own shares held by ESOT £m	Distributable reserves £m	Total £m
At 30 April 2006	40.4	3.2	90.7	–	(4.2)	83.3	213.4
Total recognised income and expense	–	–	–	–	–	(0.6)	(0.6)
Shares issued	15.6	0.1	–	–	–	133.2	148.9
Dividends	–	–	–	–	–	(7.0)	(7.0)
Share-based payments	–	–	–	–	–	2.4	2.4
Vesting of share awards	–	–	–	–	0.4	(0.4)	–
Own shares purchased	–	–	–	–	(4.9)	–	(4.9)
At 30 April 2007	56.0	3.3	90.7	–	(8.7)	210.9	352.2
Total recognised income and expense	–	–	–	–	–	1.4	1.4
Shares issued	0.2	0.3	–	–	–	–	0.5
Treasury shares purchased	–	–	–	(23.3)	–	–	(23.3)
Dividends	–	–	–	–	–	(10.5)	(10.5)
Share-based payments	–	–	–	–	–	2.5	2.5
Vesting of share awards	–	–	–	–	3.3	(3.3)	–
Own shares purchased	–	–	–	–	(1.6)	–	(1.6)
At 30 April 2008	**56.2**	**3.6**	**90.7**	**(23.3)**	**(7.0)**	**201.0**	**321.2**

h) Notes to the Company cash flow statement

Cash flow from operating activities

	2008 £m	2007 £m
Operating loss	**–**	(0.4)
Depreciation	**0.1**	0.1
EBITDA	**0.1**	(0.3)
(Decrease)/increase in receivables	**(0.9)**	0.3
Increase in payables	**0.2**	0.5
Increase/(decrease) in intercompany payable	**32.8**	(53.6)
Other non-cash movement	**2.4**	2.3
Net cash inflow/(outflow) from operations before exceptional items	**34.6**	(50.8)

Reconciliation to net debt

	2008 £m	2007 £m
Net debt at 1 May	**0.2**	0.2
Decrease in debt through cash flow	**(0.1)**	–
Net debt at 30 April	**0.1**	0.2

Ten year history

	IFRS				UK GAAP					
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
In £m										
Revenue +	**976.1**	896.1	638.0	523.7	500.3	539.5	583.7	552.0	302.4	256.0
Operating costs + •	**612.4**	585.8	413.3	354.2	353.3	389.4	398.6	345.3	181.4	146.4
EBITDA + •	**363.7**	310.3	224.7	169.5	147.0	150.1	185.1	206.7	121.0	109.6
Depreciation + •	**176.6**	159.8	113.6	102.4	102.8	111.0	117.8	117.6	66.8	63.3
Operating profit + •	**187.1**	150.5	111.1	67.1	44.2	39.1	67.3	89.1	54.2	46.3
Interest + •	**(74.8)**	(69.1)	(43.6)	(44.7)	(36.6)	(40.9)	(49.1)	(50.7)	(10.9)	(7.7)
Pre-tax profit/(loss) + •	**112.3**	81.4	67.5	22.4	7.6	(1.8)	18.2	38.4	43.3	38.6
Operating profit •	**184.5**	101.1	124.5	67.1	16.2	0.6	72.5	68.2	57.1	46.3
Pre-tax profit/(loss)	**109.7**	(36.5)	81.7	32.2	(33.1)	(42.2)	(15.5)	11.1	46.2	38.6
Net cash flow from operating activities	**264.1**	181.3	154.4	128.3	126.7	210.3	202.0	173.0	111.4	93.3
Capital expenditure •	**331.0**	290.2	220.2	138.4	72.3	85.5	113.8	237.7	158.2	150.5
Book cost of rental equipment •	**1,528.4**	1,434.1	921.9	800.2	813.9	945.8	971.9	962.8	629.5	527.9
Shareholders' funds • *	**436.1**	396.7	258.3	109.9	131.8	159.4	192.9	202.1	236.8	207.5
In pence										
Dividend per share	**2.5p**	1.65p	1.50p	Nil	Nil	Nil	3.50p	3.50p	3.16p	2.70p
Earnings per share	**14.2p**	0.8p	13.5p	5.2p	(9.9p)	(9.5p)	1.1p	6.5p	11.8p	11.3p
Underlying earnings per share	**14.8p**	10.3p	11.3p	3.2p	(0.7p)	(0.4p)	13.7p	9.2p	11.8p	11.3p
In percent										
EBITDA margin + •	**37.3%**	34.6%	35.2%	32.4%	29.4%	27.8%	31.7%	37.4%	40.0%	42.8%
Operating profit margin + •	**19.2%**	16.8%	17.4%	12.9%	8.8%	7.2%	11.5%	16.1%	17.9%	18.1%
Pre-tax profit/(loss) margin + •	**11.5%**	9.1%	10.6%	4.8%	1.5%	(0.3%)	3.1%	7.0%	14.3%	16.7%
People										
Employees at year end	**9,594**	10,077	6,465	5,935	5,833	6,078	6,545	6,043	3,930	3,735
Locations										
Profit Centres at year end	**635**	659	413	412	428	449	463	443	352	341

The figures for 2005, 2006, 2007 and 2008 are reported in accordance with IFRS. Figures for 2004 and prior are reported under UK GAAP and have not been restated in accordance with IFRS.

+ Before exceptional items and goodwill amortisation. EBITDA, operating profit and pre-tax profit/(loss) are stated before exceptional items but have been adjusted to allocate the impact of the US accounting issues and the change in self insurance estimation method reported in 2003 to the years to which they relate and to reflect the BET USA lease adjustment reported in 2002 in 2001. The directors believe these adjustments improve comparability between periods.

• The results for the years up to 30 April 2000 were restated in 2000/1 to reflect the adoption of new accounting policies and estimation techniques under FRS 18 in that year.

* Shareholders' funds for the years up to 30 April 2003 were restated in 2003/4 to reflect shares held by the Employee Share Ownership Trust as a deduction from shareholders' funds in accordance with UITF 38.

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Future dates

Quarter 1 results	2 September 2008
2008 Annual General Meeting	23 September 2008
Quarter 2 results	9 December 2008
Quarter 3 results	3 March 2009
Quarter 4 and year-end results	18 June 2009

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