Ashtead group

Annual Report & Accounts 2012

Capitalising on structural change

About us

Ashtead is an international equipment rental company servicing customers nationwide in the US and the UK. We rent a full range of construction and industrial equipment across a wide variety of applications to a diverse customer base. Our equipment can be used to lift, power, generate, move, dig, compact, drill, support, scrub, pump, direct and ventilate – whatever the job needs.

We aim to extend our industry-leading position and deliver superior returns for shareholders as well as a progressive and sustainable dividend across the economic cycle.

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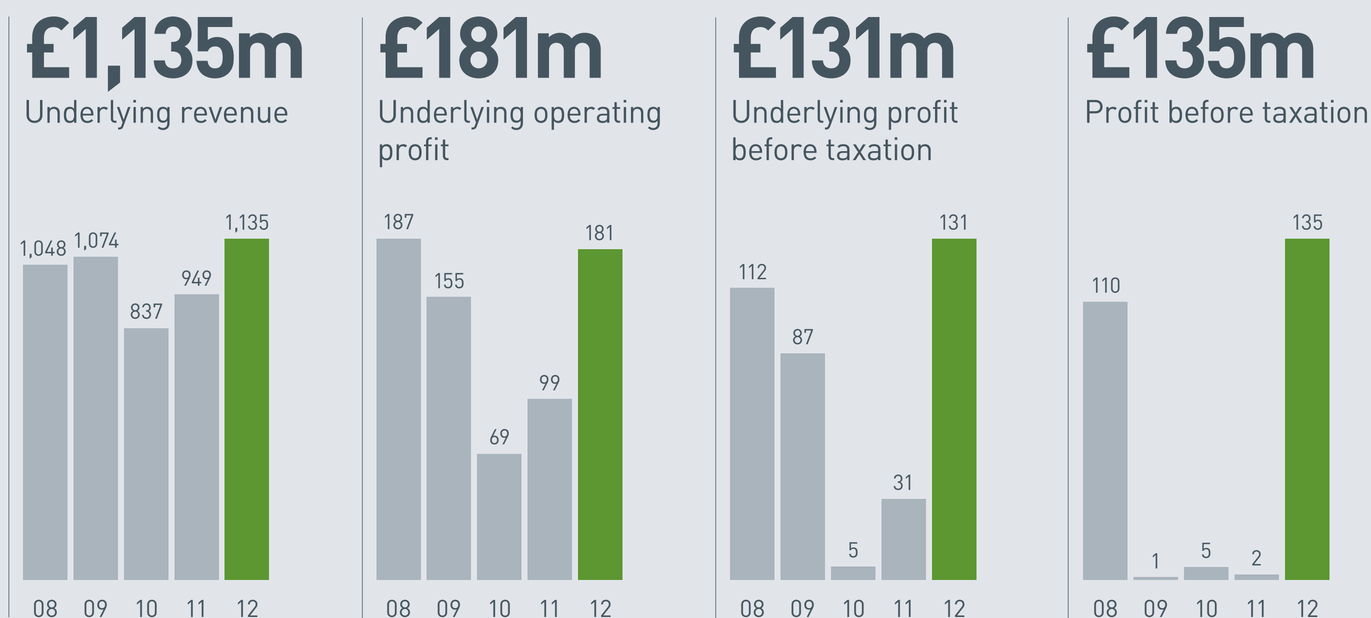
Our 2011/12 performance



Record Group pre-tax profit for the year of £131m (2011: £31m)

Group EBITDA margins of 34% (2011: 30%)

£476m of capital invested in the business

RoI, including goodwill, grew to 12% (2011: 7%)

Net debt to EBITDA leverage reduced to 2.2 times (2011: 2.7 times)

Proposed final dividend of 2.5p making 3.5p for the year (2011: 3.0p)

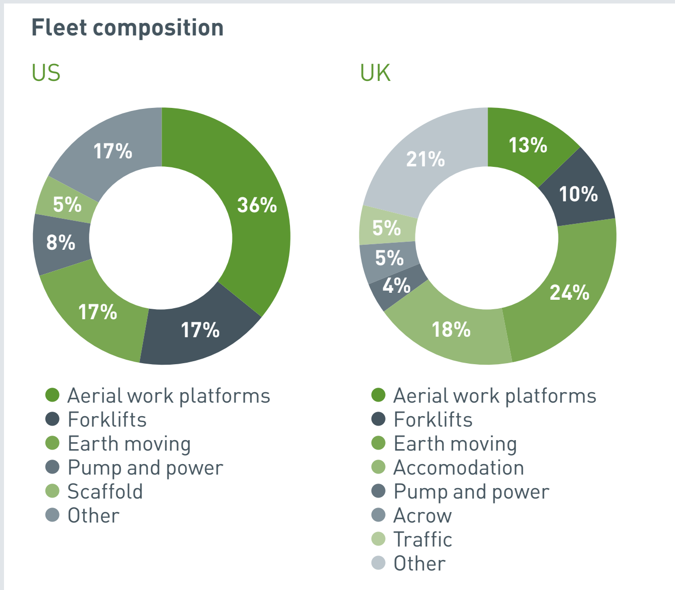
Underlying revenue, profit and earnings per share are stated before exceptional items, amortisation of acquired intangibles and non-cash fair value remeasurements of embedded derivatives in long-term debt. The definition of exceptional items is set out in note 1 to the financial statements.

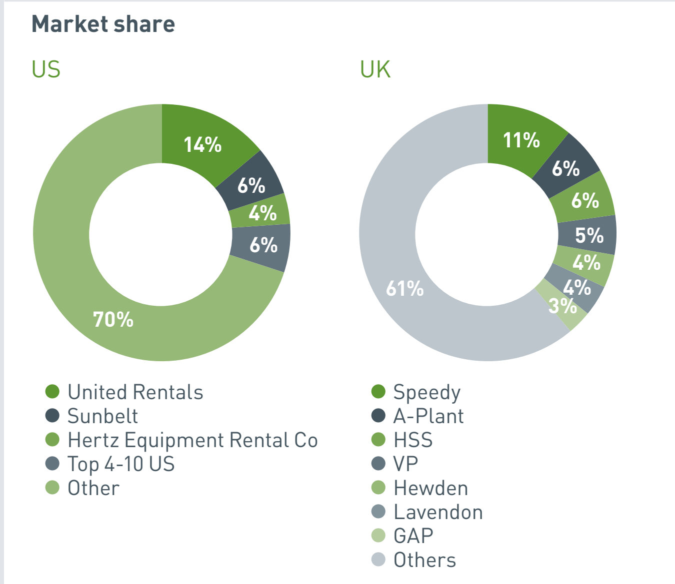
Forward looking statements

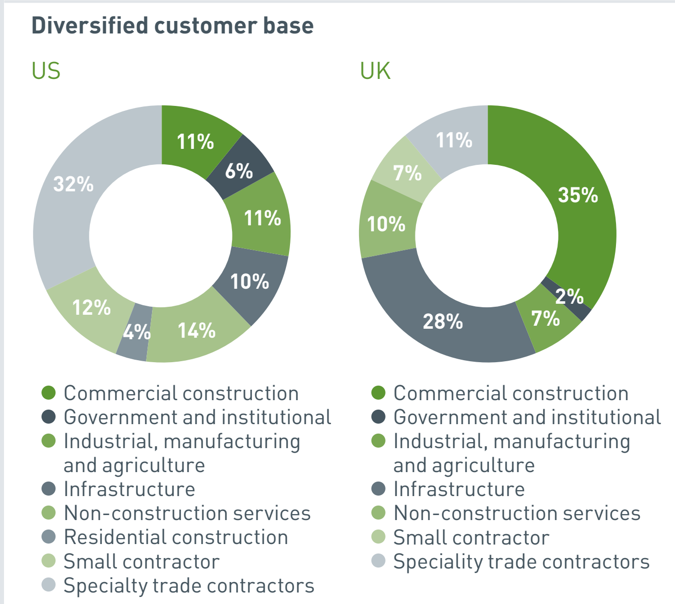
This report contains forward looking statements. These have been made by the directors in good faith using information available up to the date on which they approved this report. The directors can give no assurance that these expectations will prove to be correct. Due to the inherent uncertainties, including both business and economic risk factors underlying such forward looking statements, actual results may differ materially from those expressed or implied by these forward looking statements. Except as required by law or regulation, the directors undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

Our Group at a glance

Ashtead is one of the largest equipment rental companies in the world and operates as Sunbelt in the US and as A-Plant in the UK.

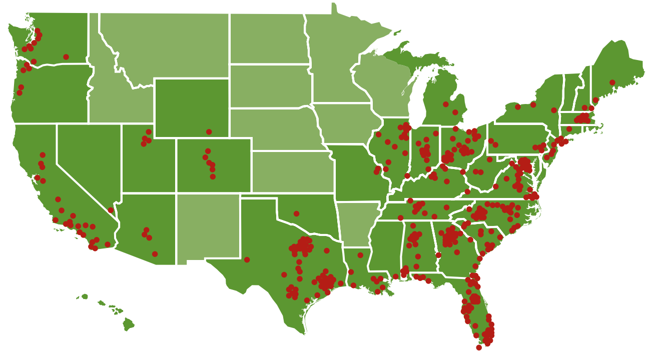






US: Sunbelt

The second largest equipment rental business in the US with 376 stores in 35 states



336
Full service stores

6,600
Employees

$290m
Profits

40
Sunbelt at Lowes stores

$1,507m
Revenue

14.0%
Return on investment

UK: A-Plant

The third largest equipment rental company in the UK with 109 stores throughout England, Scotland and Wales

109
Stores

1,900
Employees

£189m
Revenue

£7m
Profits

2.9%
Return on investment

What we do

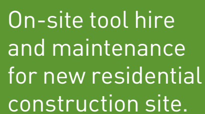
Ashtead enables its customers to focus on what they do best by enabling them to rely on us to fulfil their equipment needs, only renting the equipment they need when they need it. They can then be certain that they have the right equipment for the job, regularly serviced so that it is in optimum condition and ready to work immediately, efficiently and safely. Our complete range of equipment, from small hand held tools to the largest aerial work platforms, is available to rent from our national store networks in the US and UK and we back our service commitment with a guarantee.

Types of equipment

Our fleet of industrial and construction equipment includes earthmoving equipment, aerial work platforms, high reach forklifts and other materials handling units, smaller tools, pumps, power generation, portable site accommodation, scaffolding, formwork and falsework and temporary traffic management equipment.

Our customers

We serve all types of customers including construction and industrial organisations, disaster relief agencies, event organisers, governments, local authorities, facilities management companies and homeowners.



Chairman's statement
Delivering long-term growth

Record results
This time last year we expected to see improving results in the coming year although we did not anticipate the level of growth we have achieved in the last 12 months. The momentum we established over the last year combined with continuing operational efficiency and prudent yet flexible financial planning have delivered results significantly ahead of our earlier expectations.

I am therefore delighted to be able to report record full-year underlying pre-tax profits of £131m, £100m higher than last year's £31m and 16% higher than 2007/8's (the previous peak year) £112m. This was achieved on record revenues of £1.1bn and despite the continued depressed activity levels in our main end market, US construction, which is some 40% down on its 2006 peak. The increase in demand for our services in the US is being driven predominantly by increased rental penetration and the gains we continue to make in market share. The past year saw record levels of fleet on rent and strong physical utilisation.

Sunbelt's rental revenue for the year grew 23% to $1.3bn, comprising a 13% increase in average fleet on rent, 7% higher yield and a first-time contribution from Empire Scaffold which was acquired last financial year. In the UK, despite slower markets, A-Plant continued to perform well relative to its peers and delivered rental revenue growth of 9% to £168m including 1% growth in average fleet on rent and 6% yield improvement.

Underlying earnings per share for the year were 17.3p (2010/11: 4.0p) whilst the Group's EBITDA margin rose 12% to 34% and our balance sheet strength was enhanced, as evidenced by the further reduction in net debt to EBITDA leverage to 2.2 times at year end (2011: 2.7 times).

With this financial strength we have continued to invest strongly in organic growth with the Group's rental fleet now being 12% larger and an average of seven months younger than a year ago. Whilst our focus remains on organic growth, we intend to continue to assess appropriate acquisitions (such as that of Topp earlier this year) that would help us accelerate our growth strategies. We also continue to have the necessary finance available to invest appropriately in growth. Therefore we believe that we are very well placed to continue our progress and also to take advantage of cyclical economic recovery in end construction markets as and when that occurs.

Governance
In May 2010 the Financial Reporting Council issued a new UK Corporate Governance Code, effective from June 2011, with which we are fully compliant this financial year. Over the year we have continued to evaluate the balance of skills, knowledge and experience among the members of the Board, as well as paying due regard to the need for diversity. I am satisfied that we have an appropriately skilled and balanced board. Particular Board priorities this year have been maximising profitable growth in the US, reviewing management's plans in response to the recently concluded combination of our two largest US peers and remuneration incentives and succession planning for key members of our management team.

Board changes
Last year we announced the planned retirement of Ian Robson as finance director and the appointment of Suzanne Wood as his successor. Previously the chief financial officer of our US business, Sunbelt, Suzanne brings outstanding talent and considerable industry experience to the role of Group Finance Director. Suzanne will be a most welcome addition to the team. The Board unanimously recommends her election as a director following her appointment in succession to Ian.

I am delighted to report record full-year underlying pre-tax profits of £131m

Your Group is indebted to Ian for his long years of service and, in particular, his vigilant and forward looking financial management that has positioned us so well to deal with the challenges of the economic cycle and more importantly, to capitalise on the growth to come. We wish Ian a long and happy retirement.

In January 2013 Hugh Etheridge will complete his third term as a non-executive director. In view of the fact that 2012/13 will be Suzanne's first full year as finance director, coupled with the mandatory five-yearly rotation for the 2013/14 audit of our external audit partner, we considered it prudent to extend Hugh's services until June 2014. Notwithstanding Hugh's length of service, we consider that he will remain independent and accordingly he will continue to chair the Audit Committee until his retirement. It is intended to appoint Hugh's replacement to the Board in 2013 to allow for a period of familiarisation.

Dividend

We continue to be committed to a progressive dividend policy, with consideration to both profitability and cash generation at a level that is sustainable across the cycle, and therefore we are recommending a final dividend of 2.5p per share making 3.5p for the year (2011: 3.0p). If the final dividend is approved at the forthcoming Annual General Meeting, it will be paid on 7 September 2012 to shareholders on the register on 17 August 2012.

Our people

As always I need to thank all our employees whose commitment has helped us to capitalise on the market opportunities and without whom we would not be in the strong position we are now. Our people continue to demonstrate their dedication to making Sunbelt and A-Plant the best equipment rental businesses in their respective markets.

Current trading and outlook

The good growth of the past year has carried forward into May with encouraging levels of fleet on rent and yield improvement.

The momentum we have established, and the flexibility provided by our strong balance sheet, allows us to anticipate further growth with or without end market recovery.

Chris Cole
20 June 2012

Business and financial review

Introduction

2011/12 has proven to be the year when we have been able fully to demonstrate in our profits the beneficial impact of our cyclical strategic planning over the last few years. We are delighted to be reporting record profit with cyclical economic recovery in the end construction markets in the US and UK still to come.

The growth we are generating now is testament to the momentum we have established over recent quarters through careful financial planning and efficient operational management. Our excellent operational delivery continues to be supported by our effective debt structure and the refinancing undertaken in the spring of last year which both lowered our finance cost and extended our debt maturities.

Ashtead has delivered strong top line growth and benefited from the operational leverage of the business through a continued focus on costs this year. Whilst we are reaping the benefits of our cyclical planning already, we continue to expect there to be further significant growth to come as end construction markets in the US begin their recovery from recession. As expected, we are also benefiting from an increased trend to rental as well as gains in market share. Our industry is changing and we are at the forefront of that change. The efficient execution of our cyclical fleet investment strategy as well as the operational improvements in the US and the UK, have maximised our opportunity to capitalise on both the ongoing structural shift to rental in the US and end market recovery.

Our strategy

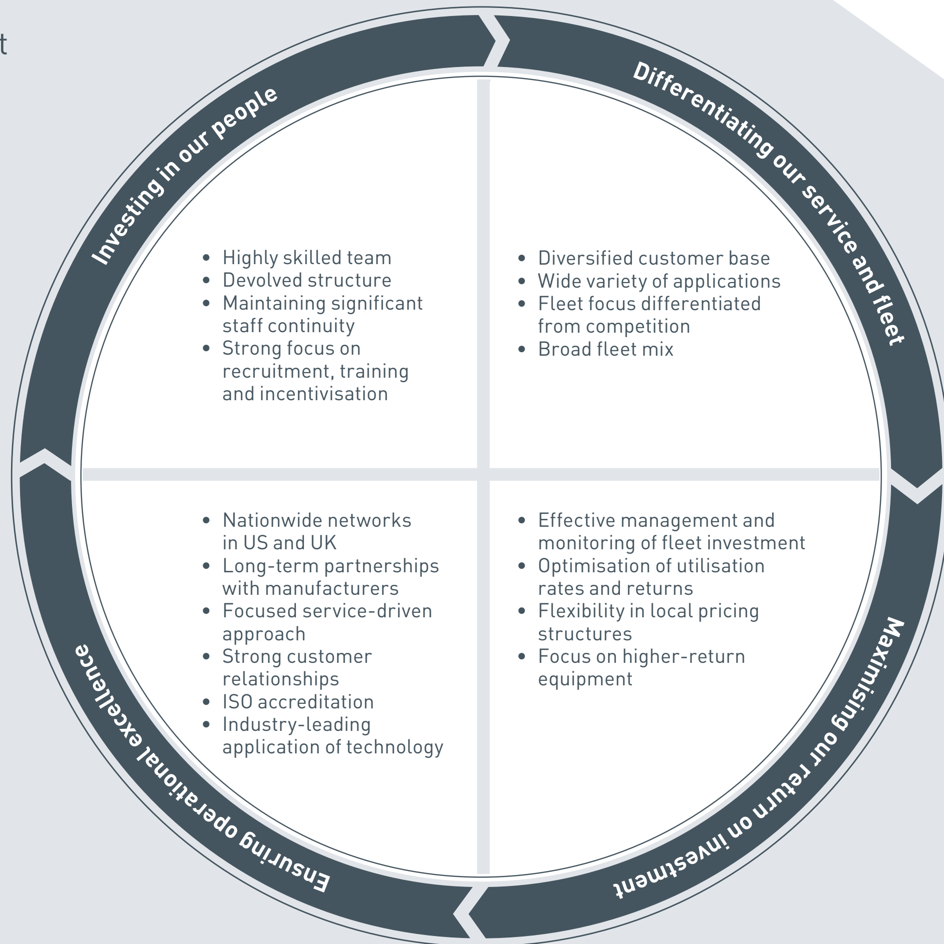
At the core of our strategy are management of the cycle, investment in our people, differentiation of our service and fleet, operational excellence and the maximising of our return on investment. This is underpinned by our balance sheet strength. Our strong execution of this strategy has positioned us well in what is still a relatively young and competitive US market. We aim to differentiate both our service and fleet to offer the widest possible range of equipment to a diversified customer base. Along with our cyclical investment strategy, this differentiation offers us protection from the inevitable peaks and troughs of the economic cycles that affect our industry as well as making us more competitive.

Our operating model is a further source of competitive advantage and provides nationwide networks in both the UK and the US, long-term partnerships with manufacturers and clients, a focus on excellent customer service and industry-leading technology applications. The structure of our debt and our relatively low leverage provides us with greater flexibility than most other players in our industry, allowing us to flex our fleet investment as appropriate to each stage of the economic cycle. Over the last year we have used this to our advantage to invest strongly in organic growth with our rental fleet Group-wide now being 12%, at constant currency, larger and an average of seven months younger than a year ago.

Our business model

Managing the cycle

- Planning ahead
- Careful balance sheet management
- Adapting fleet and cash position
- Taking advantage of opportunities



Capitalising on structural change

We aim to manage a differentiated business efficiently in an inherently cyclical industry that is also changing structurally. We weather the troughs and capitalise on the peaks, this year delivering record results ahead of a return to growth in end construction markets. We have positioned ourselves through our cyclical financial and operational planning to take full advantage of the structural market changes resulting from current economic uncertainty.

Illustrated on the next pages are our four areas of focus.

Capitalising on structural change

1

Understanding our market

The market is providing an opportunity and we are well positioned to take advantage of it

Ashtead's markets are the US and the UK with the majority of our revenue (83%) and operating profit (96%) coming from the US. The US market is not only five times larger than the UK market but also has far higher growth prospects in the medium term. This is because estimated rental penetration in the US is currently 40% and is forecast to grow to 50% by 2014 while in the more mature UK market rental penetration is already stable at around 75%.

The US market is still relatively young and offers significant potential for growth. Our experience at A-Plant in the more developed UK market has always enabled us to foresee likely trends as the US market develops.

Growth, consolidation and the structural shift

The US market remains very fragmented despite the acquisition of RSC by United Rentals in April 2012, with the top three companies (United, including RSC, Sunbelt and HERC) holding a 24% share, with the remainder comprised of much smaller players.

Over the course of the next economic cycle we expect the proportion of the market held by the three large national players to increase substantially and gradually grow towards 40%. As the trend to rental continues and the rental market grows, the biggest companies are picking up the extra work and increasing their market share. This trend is enhanced by the relative financial strength of the large market participants. Rental equipment is, averaged across all equipment types, typically held by rental companies for 7-8 years and then needs to be replaced. Following the curtailment of capital expenditure during the recession, there is a significant backlog across the industry of replacement spend, which needs to increase just to maintain fleet age at existing levels. The larger, well-financed companies such as Ashtead are well positioned to make this investment, but the smaller rental companies still do not have easy access to the necessary finance. Furthermore, some companies have struggled to survive the downturn and cannot invest as they need to, now that the rental market is returning to growth.

In addition, further tightening of environmental and health and safety legislation makes it more onerous and expensive, for both smaller competitors and our customers, to keep up with developments. Renting equipment rather than owning and maintaining it reduces contractors' risk and helps them protect their own balance sheet, making it worthwhile for them to move to a more outsourced model for equipment provision.

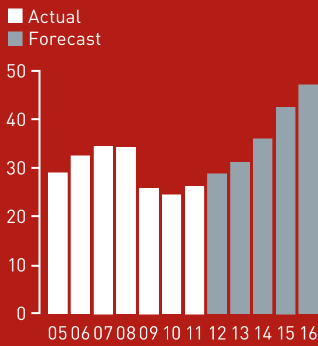
One example of regulatory changes that increasingly impact our industry relates to the required transition in the US of off-road diesel engines to full compliance with Tier 4 carbon emission regulations. This transition, which is being undertaken in stages between now and 2015 depending on engine horse power, is being implemented through control of new production, with existing units 'grandfathered' for their remaining useable life. The new regulations increase both the initial purchase and ongoing maintenance cost of Tier 4 compliant equipment. For the end user, these higher costs, as well as the knowledge needed to service and maintain the new engines, will, we believe, further increase the attractiveness of the outsourced rental alternative.

Taken together, these changes are perpetuating the twin structural shifts in our market from ownership by the end user to rental and towards an increased share for the large national rental companies. Accordingly, as we become ever more confident that the rental market is set to grow faster than the US economy as a whole, our strong operational performance and robust balance sheet mean we are well placed to invest further into that growing market.

Rental market forecasts

US
$bn

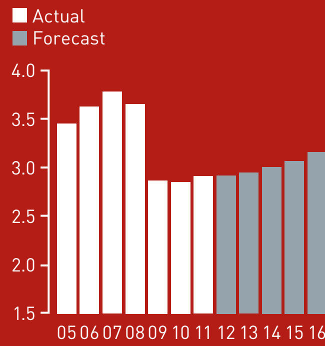
Actual
Forecast



Source: IHS Global Insight

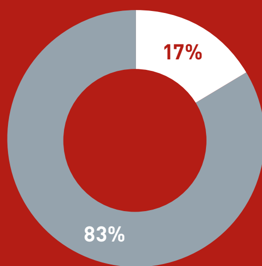
UK
£bn

Actual
Forecast



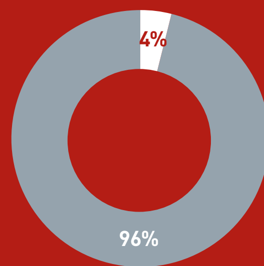
Source: AMA Research Ltd

Revenue



Sunbelt A-Plant

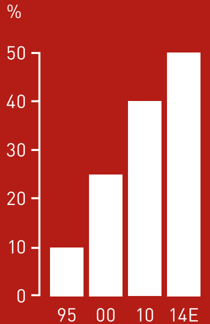
Operating profit



Sunbelt A-Plant

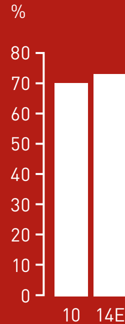
Rental penetration

US
%



Source: Kaplan Associates

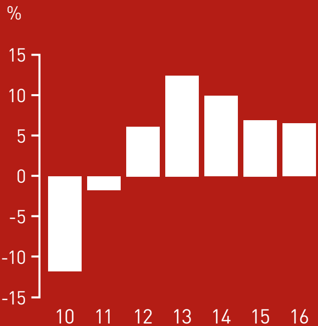
UK
%



Source: Management estimates

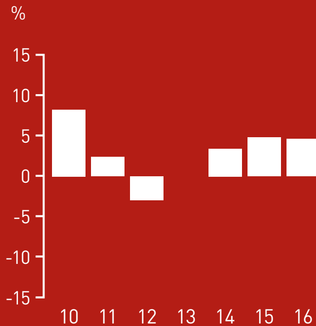
Construction market forecast

US
%



Source: Maximus Advisors (May 2012)

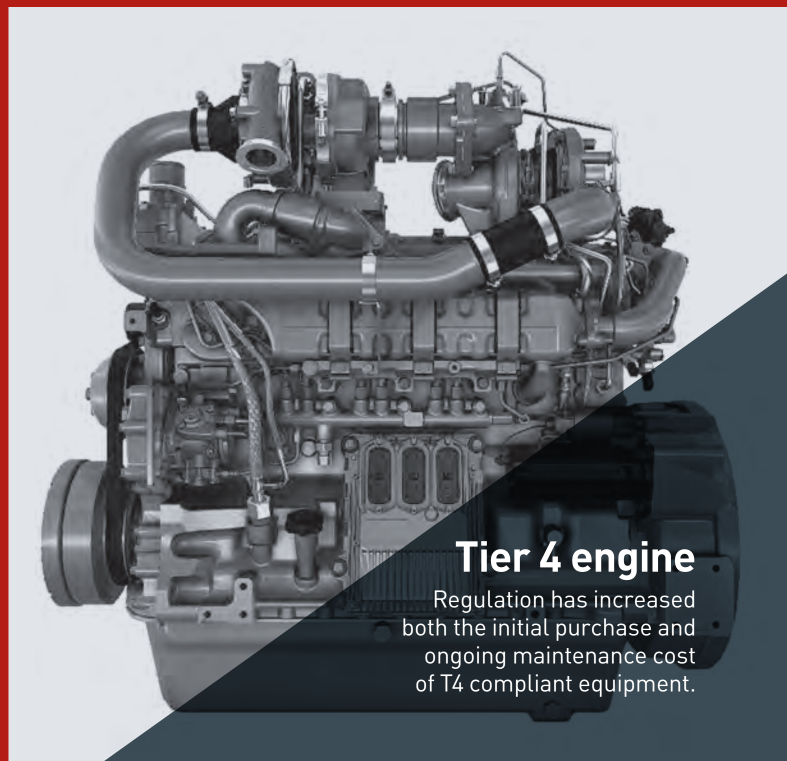
UK
%



Source: ONS, Construction Products Association (Spring 2012)

"Sunbelt has become our 'go to' vendor when it comes to rentals of any kind for many of our projects. The breadth and depth of the rentals and the outstanding customer service we receive makes it easy for us to use Sunbelt. It is comforting to know that whatever needs we have in the rental arena, they are just a phone call away."

Rosendin Electric



Tier 4 engine

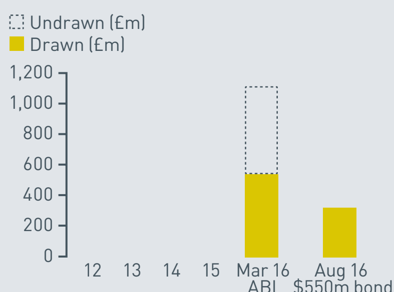
Regulation has increased both the initial purchase and ongoing maintenance cost of T4 compliant equipment.

Capitalising on structural change

2

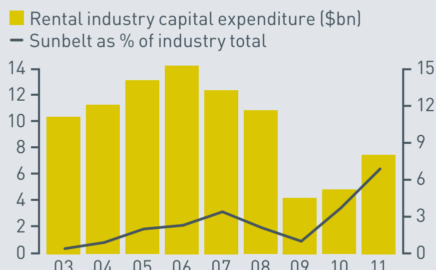
Financial planning through the cycle

Debt structure



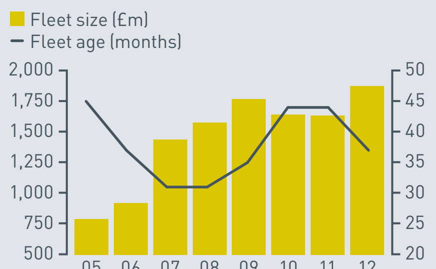
Source: Management information

Capital spend as % of industry spend



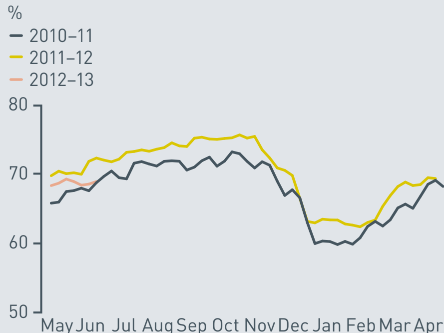
Source: IHS Global Insight, Management information

Fleet size and age



Source: Management information

Physical utilisation



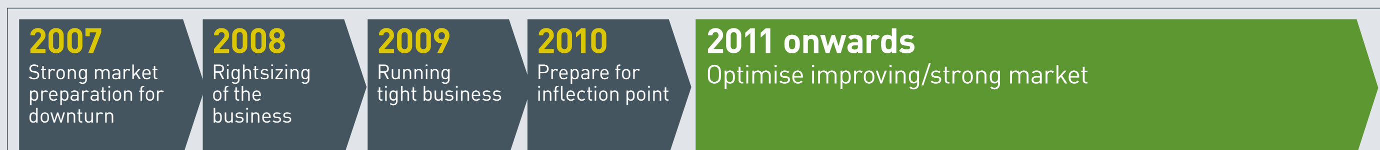
Source: Management information

We look to weather the troughs and capitalise on the peaks, ensuring a sustainable business

Our industry is inherently cyclical and our strategy needs to reflect that, so that we manage risk effectively and remain on track with our key performance indicators ('KPIs'), in particular Return on Investment ('RoI') over the cycle, no matter how economies are performing. The chart opposite shows how our financial planning ensures we perform at each stage. The key elements that we flex over the cycle are the size and age of our fleet which is underpinned by an appropriate debt structure. In a growth cycle, we use free cash flow to invest in our rental fleet to support revenue and earnings growth. As a result, fleet age reduces while debt remains broadly flat and leverage reduces as earnings grow. In a downturn, we may right-size the business, reduce capital expenditure and use free cash flow to pay down debt, sustaining our leverage close to target, despite cyclically lower earnings. We seek to maintain sufficient flexibility at all stages to ensure we can bounce back aggressively once the upturn arrives, just as we have done in the past year.

The structure of our debt is of paramount importance, providing us with a buffer in bad times and with the finance to invest to make the most of good times. Our debt structure continues to be robust and provides us with the financial capacity to invest with confidence in opportunities that arise. We maintain a mix of senior and junior debt with the junior debt committed for the long term, which provides both stability and flexibility to our debt structure. We have no debt maturities until 2016, no amortisation on our facilities, effectively no financial monitoring covenants, and a blended interest cost of just over 5%. We continue to work to our long-held two to three times through the cycle net debt to EBITDA leverage target and have continued to reduce leverage this year despite the substantial investment we have made in growing our rental fleet.

Our forward cyclical planning means we have been able to reinvest in fleet over the last year, ahead of market growth, so that in terms of fleet size, we are now back to where we were at the last market peak. We invested early and more than our market share would suggest, ensuring that our fleet is sufficient to meet the needs of a growing market. As a result we are now reaping the benefits of that forethought. This has positioned us well for the structural changes in the market and is reflected in our market share gains.



Revenue (£m)	896	1,048	1,073	837	949	1,135	30–50% improvement based on fleet growth and yield improvement
Cash flow* (£m)	-376	-1	246	190	19	-35	Debt broadly flat – deleveraging towards 2x EBITDA
Fleet age (months)	31	31	35	44	44	37	Fleet age reduced to between 34 and 38 months
Fleet size (£m)	1,434	1,528	1,763	1,689	1,632	1,880	Fleet size increasing up to 25%
EBITDA margins (%)	35	35	33	30	30	34	Likely to exceed previous peaks (35%)
Return on investment (%)	14	12	10	5	7	12	Recovering RoI to mid teens – well above cost of capital

Critical underpin is appropriate debt structure

* Total cash generated before returns to shareholders.

"We took delivery of $240m of new equipment in the first quarter of 2011/12. Our ability to secure early season deliveries provided a boost to our sales force, resulting in a significant improvement in rental rates which we maintained through the year."

James Dennis
Procurement and Purchasing Director, Sunbelt

Our equipment

We invested early to meet the needs of a growing market.

For former sergeant first class, Jeff Hartner, the leadership and people skills, and ability to work under pressure that he learnt in the military, are core to his work as a sales representative at Sunbelt:

> You have to be able to drive up to a construction site or office, without knowing anyone, identify who is in charge, and introduce yourself. Then the real work begins, establishing a rapport and building a relationship with that client, and finding solutions for their problems.

Jeff Hartner
Sales Representative, Sunbelt

> Accelerate shows me a real-time graphical representation of my customers and prospects, making it easier to interact with them and build strong long-term relationships, as well as provide a higher level of service. The intuitive interface is already helping us gain market share and drive revenue across multiple product lines and geographies.

Dave Smith
Sales Manager, Sunbelt

3

Capitalising on structural change

Ensuring operational excellence

Our experienced workforce combined with the latest technology is helping to grow the business

Hiring and keeping the best people

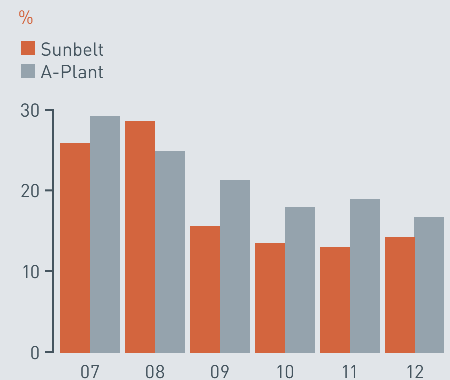
The rental industry suffers from high staff turnover but at Ashtead we take pride in maintaining a high-quality stable workforce. While we closed some stores during the recession, we took the decisions early in 2008/9 and as a result, have had a stable store footprint for the last two years. Excluding the impact of growth through acquisition, our headcount has also remained largely unchanged over the last three years. While we see 14% staff turnover in the US overall, this tends to be amongst the least tenured personnel. Retention and length of tenure rates are particularly strong amongst our more senior staff including our store managers and sales personnel. This compares well with the last cycle when tenure levels were significantly lower. As a result, we stand ready for cyclical recovery with the most experienced team in our history.

In our recruiting, we consistently aim to attract good people, often from diverse backgrounds and then invest in their training and development. A-Plant's three-year apprenticeship scheme, for example, is the largest in the rental industry and is always heavily oversubscribed. In the US, Sunbelt has a well-established programme of working with the US military which delivers a consistent and quality source of potential recruits. Our training covers all areas and levels. For example, last year we launched a major new training initiative for our US drivers, to ensure they drive both safely and in the most environmentally efficient way.

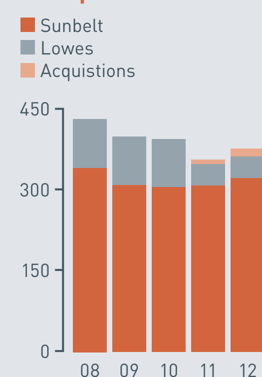
Investing in the best systems

Our competitive advantage also depends on having the right computer systems and applications to allow our staff to deliver the highest standards of service. Our size and geographic reach allow us to invest in leading-edge technology across the Group in a way that few of our competitors can match. We share IT system developments across the UK and US. For example, at the beginning of 2012, we launched Accelerate, our new customer relationship platform on the iPad, in the US, with the aim of increasing both customer satisfaction and profitability. Accelerate provides a sophisticated interface that allows managers and sales representatives to increase efficiency by leveraging internal data, various communications platforms, prospecting and territory planning tools, as well as reports and real-time KPIs. The same technology and principles are now being applied to enhance our customer information systems in the UK.

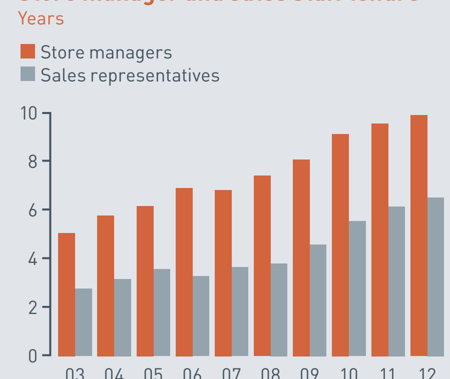
Staff turnover
%



US depot numbers

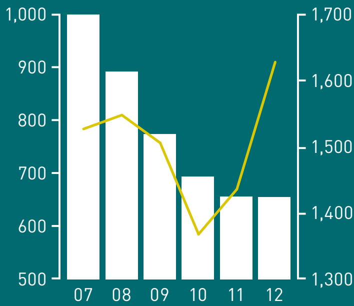


Store manager and sales staff tenure
Years



Construction markets/fleet on rent

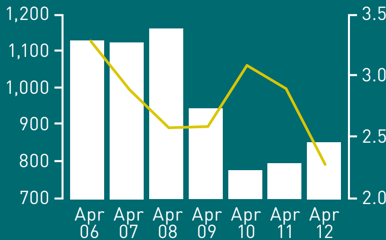
■ Total US construction spend in constant 2005 $bn
— Sunbelt fleet on rent $m



Source: Maximus Advisors and managment information

Relative low leverage

■ Debt (£m)
— Leverage (x)



Source: Management information

Fact file

Scaffolding division

Our specialty Scaffolding division, enhanced by last year's acquisition of Empire, provides rental solutions for all manner of scaffolding applications for new and existing structures, as well as a full erection and dismantling service.

Fact file

Pump & Power

Our specialty Pump & Power division provides innovative solutions for projects with highly specialised job requirements, including dewatering projects, base camps, emergency power and others. The specialised fleet includes a broad range of high performance pumps, desiccant dehumidifiers, large air compressors, power generation, temperature control and trench shoring equipment.

4

The next phase of growth

We are well positioned to capitalise on the market's return to growth

Our position in the cycle

As the US market gradually returns to growth, we expect in the next few years to move into the strongest period of growth in our business cycle. Ahead of this, we are already seeing record levels of fleet on rent, record Group profits and high equipment utilisation and rental rates driven by the structural change in the US market. This is despite US construction markets being at a 30-year low. According to figures from the US Department of Commerce, construction activity has fallen 40% in the last six years and it is only in the last year that it has stabilised and started to show early signs of improvement. Our record performance in weak construction markets is particularly encouraging for both the short term, where we expect a continuation of the current trends, and beyond where, when cyclical recovery comes, we anticipate substantial growth in rental revenues and profitability.

Our timely early investment in spring 2011 to rebuild our US fleet and reduce its age, has ensured we are in the best position to capitalise on growth opportunities as markets improve. We are better positioned than many of our competitors and expect to continue to make market share gains. Our strong balance sheet and the availability of further finance will allow us to continue investing in recovery as the US labour market improves. Growth within our general tool business will come predominantly from additional fleet in existing locations which generates the best return on investment. Our existing infrastructure can accommodate a fleet at least 15% larger than our current fleet size.

It is still difficult to say when growth will return to the UK, with construction markets looking challenged this year and next. Accordingly, our UK focus is on improving returns in a difficult market through focusing on higher returning products and managing our current fleet size.

Future plans

Our primary focus remains on organic growth where we are delivering incremental returns in excess of 20%. In the US, after 30 years of underfunding infrastructure upgrade projects, many US infrastructure assets are at over-capacity and functioning beyond their originally intended lives. Reports estimate that $2trn will be required to rebuild and refurbish the US infrastructure platform. As a result, infrastructure issues are often addressed in reactive mode, responding to emergencies as failures occur in the form of levee breaches, sewer breaks, road congestion, energy shortages and bridges collapsing, generating many rental opportunities where equipment availability and rapid response are more important than price. We believe our focus on local markets and our ability to invest to sustain a modern fleet position us well to service these needs.

As the recovery progresses, we also plan to continue to broaden the mix of our rental offering through development of our specialty services. Our specialty divisions such as Pump & Power, Scaffolding, Temperature Control and Industrial Resources, are strategically important and offer a key point of differentiation from our competitors. They also provide us with a diversification away from cyclical general construction markets to less cyclical areas of demand. We provide a high level of technical expertise in these specialist areas and they are highly profitable businesses generating over 20% of Sunbelt's 2011/12 revenue from only 14% of its fleet. Accordingly, these businesses are inherently higher RoI businesses. In addition these specialty businesses expand our product offering and markets, as well as providing significant opportunities for cross-selling across all areas of the business.

The recent acquisition of Topp expands our specialty offering in temperature control (heating, air conditioning and dehumidification) into new non-construction markets. In time we will look to build on this expertise to extend our coverage from the 15 markets that Topp currently serves, to our entire national footprint. While our focus remains on organic growth to drive the business forward, we will continue to look for appropriate bolt-on acquisitions which enhance our existing operations, particularly within the specialty business.

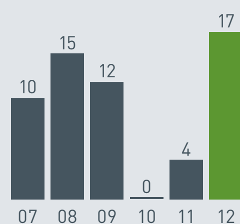
Business and financial review

Key performance indicators

At Group level, we measure the performance of the business using a number of key performance indicators ('KPIs'). These help to ensure that we are delivering against our stated objectives.

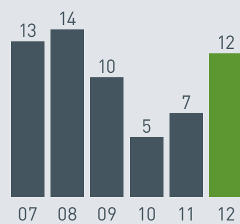
Certain KPIs are more appropriately measured for each of our two operating businesses, whereas other KPIs are best measured for the Group as a whole.

Underlying EPS (p)



Underlying EPS is a key measure of short-term financial performance for the Group as a whole. It is measured before exceptional costs, amortisation of acquired intangibles and fair value remeasurements. Our balance sheet structure, which involves us incurring a significant interest cost, means that our underlying EPS varies substantially through the cycle. Underlying EPS improved significantly to 17p per share in 2011/12.

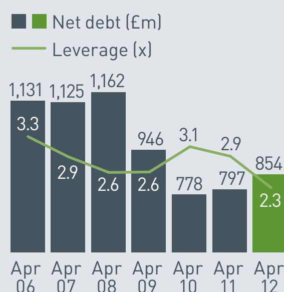
Return on investment (%)



In a capital-intensive business, profitability is not the only measure of performance as it is possible to generate good margins but poor value for shareholders if assets are not deployed efficiently. Return on investment ('RoI') measures both profitability and capital efficiency and is calculated as underlying operating profit divided by net tangible and intangible fixed assets employed plus net working capital but excluding net debt, deferred tax and fair value remeasurements.

Averaged across the economic cycle we look to deliver RoI well ahead of our cost of capital. During 2011/12 our RoI moved back ahead of our cost of capital and was 12% for the year ended 30 April 2012.

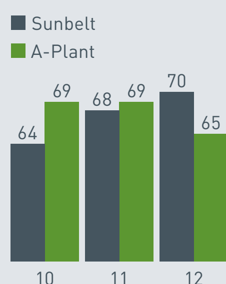
Net debt and leverage at constant exchange rates



We seek to maintain a conservative balance sheet structure with a target range for net debt to underlying EBITDA of 2 to 3 times.

We also aim to sustain significant availability (the difference between the amount we are able to borrow under our asset-based facility at any time and the amount drawn) through the cycle. Availability at 30 April 2012 was $735m based on our enlarged facility which both ensures all our debt remains effectively covenant free and also provides us with substantial headroom for future investment.

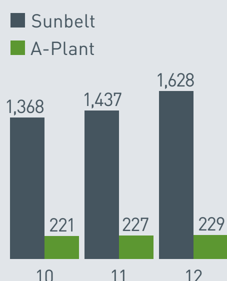
Physical utilisation (%)



Physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt is measured only for equipment whose cost is over $7,500 (which comprised 90% of its serialised fleet at 30 April 2012).

It is important to sustain annual average physical utilisation at between 60% and 70% through the cycle. If utilisation falls below 60% then yield will tend to suffer, whilst above 70% we may not have enough fleet in certain stores to meet our customers' needs. While US utilisation reached record levels during 2011/12, utilisation in the UK declined, reflecting the challenges in the UK construction market.

Fleet on rent ($/£m)



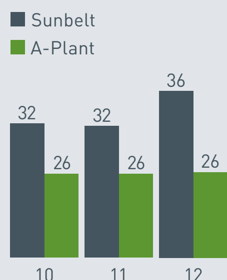
Fleet on rent is measured as the daily average of the original cost of our itemised equipment on rent. Original cost, rather than net book value, is used because it correlates more directly with rental income as rental rates vary only slightly with the age of the item being rented.

Fleet on rent measures the activity within our business and also provides an indication of market share. In the US, fleet on rent grew 13% in 2011/12, whilst in the UK it grew 1%.

Change in yield (%)

Yield is measured as the change in our rental revenue which is not explained by the change in volume of fleet on rent. Yield is therefore an all encompassing measure which captures changes in rental rates, changes in delivery charges and other ancillary rental revenue, together with changes in both the customer mix (larger customers generally pay lower rates) and the mix of equipment. Yield rose strongly in the US as ever more customers choose the quality of our offering. Yield also rose in the UK, reflecting our determination to improve UK returns.

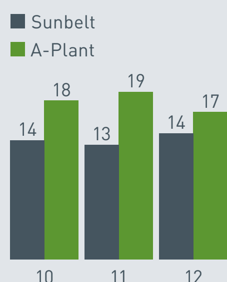
Underlying EBITDA margins (%)



Underlying EBITDA margins are measured before exceptional costs. Underlying EBITDA correlates closely in our business with our top-line cash flow and is therefore an important measure of our financial health.

US margins improved to 36% in 2011/12 while UK margins were unchanged at 26%.

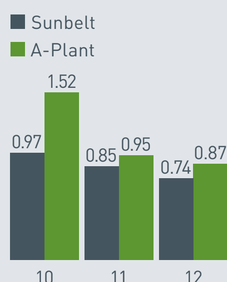
Staff turnover (%)



We are a service business that differentiates itself by the strength of our service offering. Central to this service offering are our people. Our aim is to keep employee turnover below historical levels to enable us to build on the skill base we have established.

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

Safety



Our business involves frequent movement and maintenance of large and heavy pieces of equipment, often in confined spaces. Rigorous safety processes are essential if we are to avoid accidents which could cause injury to our people and damage our reputation.

In the chart we have plotted the RIDDOR reportable incident rate for A-Plant and also for Sunbelt on the same basis in each of the past three years. Accident rates continue to decrease and we believe our continued focus on health and safety will further reduce accident rates in the future.

Principal risks and uncertainties

Our risk profile evolves as we move through the economic cycle. Set out below are the principal business risks that currently impact the Group and information on how we mitigate against these:

Economic conditions

Potential impact
The construction industry, from which we earn the majority of our revenue, is cyclical and typically lags the general economic cycle by between six and 18 months. Our performance is currently ahead of the economic cycle and we therefore expect to see further upside as the economy returns to growth.

Strategy for mitigation
- Prudent management through the different phases of the cycle.
- Flexibility in the business model.
- Capital structure and debt facilities arranged in recognition of the cyclical nature of our market.

Competition

Potential impact
The already competitive market could become even more competitive and we could suffer increased competition from large national competitors or small companies operating at a local level resulting in reduced market share and lower revenue.

Strategy for mitigation
- Create commercial advantage by providing the highest level of service, consistently and at a price which offers value.
- Excel in the areas that provide barriers to entry to newcomers: industry-leading IT, experienced personnel and a broad network and equipment fleet.
- Regularly estimate and monitor our market share and track the performance of our competitors.

Financing

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

Strategy for mitigation
- Maintain conservative 2 to 3 times net debt to EBITDA leverage which helps minimise our refinancing risk.
- Maintain long debt maturities – currently four years.
- Use of asset-based senior facility means none of our debt contains quarterly financial covenants when availability under the enlarged facility ($735m at year end) exceeds $216m.

Business continuity

Potential impact
We are heavily dependent on technology for the smooth running of our business given the large number of both units of equipment we rent and our customers. A serious uncured failure in our point of sale IT platforms would have an immediate impact, rendering us unable to record and track our high volume, low transaction value operations.

Strategy for mitigation
- Robust and well-protected data centres with multiple data links to protect against the risk of failure.
- Detailed business recovery plans which are tested periodically.
- Separate near-live back-up data centres which are designed to be able to provide the necessary services in the event of a failure at the primary site.

People

Potential impact

Retaining and attracting good people is key to delivering superior performance and customer service.

Excessive staff turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and would ultimately impact our financial performance adversely.

Strategy for mitigation

- Provide well-structured and competitive reward and benefit packages that ensure our ability to attract and retain the employees we need.
- Ensure that our staff have the right working environment and equipment to enable them to do the best job possible and maximise their satisfaction at work.
- Invest in training and career development opportunities for our people to support them in their careers.

Health and safety

Potential impact

Accidents could happen which might result in injury to an individual, claims against the Group and damage to our reputation.

Strategy for mitigation

- Maintain appropriate health and safety policies and procedures to reasonably guard our employees against the risk of injury.
- Induction and training programmes reinforce health and safety policies.
- Programmes to support our customers exercising their responsibility to their own workforces when using our equipment.

Compliance with laws and regulations

Potential impact

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

Strategy for mitigation

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

Environmental

Potential impact

We need to comply with the 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. Breaches potentially create hazards to our employees, damage to our reputation and expose the Group to, amongst other things, the cost of investigating and remediating contamination and also fines and penalties for non-compliance.

Strategy for mitigation

- Policies and procedures in place at all our stores regarding the need to adhere to local laws and regulations.
- Procurement policies reflect the need for the latest available emissions management and fuel efficiency tools in our fleet.
- Monitoring and reporting of carbon emissions.

Financial review

Trading

	Revenue		EBITDA		Operating profit	
	2012	2011	**2012**	2011	**2012**	2011
Sunbelt in $m	**1,506.6**	1,224.7	**540.8**	388.2	**289.9**	162.1
Sunbelt in £m	**945.7**	782.7	**339.4**	248.1	**181.9**	103.6
A-Plant	**188.9**	165.8	**49.5**	43.1	**7.3**	2.7
Group central costs	**–**	–	**(7.8)**	(7.4)	**(7.9)**	(7.5)
Continuing operations	**1,134.6**	948.5	**381.1**	283.8	**181.3**	98.8
Net financing costs					**(50.7)**	(67.8)
Profit before tax, exceptionals, remeasurements and amortisation					**130.6**	31.0
Exceptional items					**–**	(21.9)
Fair value remeasurements					**7.3**	(5.7)
Amortisation					**(3.1)**	(1.7)
Profit before taxation					**134.8**	1.7
Taxation					**(46.3)**	(0.8)
Profit attributable to equity holders of the Company					**88.5**	0.9
Margins						
Sunbelt			**35.9%**	31.7%	**19.2%**	13.2%
A-Plant			**26.2%**	26.0%	**3.8%**	1.6%
Group			**33.6%**	29.9%	**16.0%**	10.4%

Group revenue improved by 20% to £1,135m (2011: £949m) reflecting strong growth in fleet on rent and yield in the US. This revenue growth, continued cost control, lower net financing costs and the business improvement programmes initiated over the last three years combined to generate record underlying pre-tax profits of £131m (2011: £31m). Exchange rate fluctuations did not have a significant effect on year on year comparisons.

Rental revenue grew 23% in Sunbelt to $1,335m (2011: $1,084m) including a 13% increase in average fleet on rent and 7% growth in yield. Combined with new and used equipment, merchandise and consumable sales, Sunbelt's total revenue also grew 23% to $1,507m (2011: $1,225m). A-Plant's rental revenue growth was 9% to £168m (2011: £154m). Fleet on rent grew 1% with yield increasing by 6%.

The strong performance seen all year at Sunbelt continued in the fourth quarter when Sunbelt's rental revenue grew 19% including 13% growth in fleet on rent and 6% yield improvement. A-Plant's Q4 rental revenue growth was 5% reflecting 3% yield improvement and a 1% increase in fleet on rent.

Operational efficiency enabled Sunbelt to deliver high 'drop-through' with its EBITDA increasing by $153m or 69% of the net $222m increase in rental revenue as adjusted to exclude the $29m first-time impact of Empire's largely pass-through erection and dismantling labour recovery billings. This high 'drop-through' shows our significant operational gearing and meant that Sunbelt's operating profit rose to $290m (2011: $162m). In a tough market, A-Plant also delivered an improved performance with operating profit of £7m (2011: £3m).

The strong 'drop-through' meant that Sunbelt's EBITDA margin grew 4% to 36% whilst A-Plant's EBITDA margin held steady at 26% despite a near doubling in its inherently lower margin non-rental revenue to £21m. For the Group as a whole, the full-year EBITDA margin was 34% (2011: 30%).

Reflecting these operating results Group EBITDA grew 34% to £381m (2011: £284m). Depreciation expense increased 8% to £200m reflecting the larger average fleet size whilst Group operating profit grew 84% to £181m (2011: £99m). Net financing cost reduced by £17m to £51m (2011: £68m) due principally to the benefits of the debt refinancing undertaken in spring 2011.

Exceptional items and statutory results

The underlying profit before tax for the Group increased to £131m (2011: £31m). The tax charge for the year was broadly stable at 34% (2011: 35%) of the underlying pre-tax profit with underlying earnings per share increasing more than four-fold to 17.3p (2011: 4.0p). After a non-cash credit of £7m relating to the remeasurement to fair value of the early prepayment option in our long-term debt and amortisation of acquired intangibles of £3m (2011: £2m), the reported profit before tax for the year was £135m (2011: £2m) whilst basic earnings per share was 17.8p (2011: 0.2p).

Dividends

In accordance with our progressive dividend policy, with consideration to both profitability and cash generation at a level that is sustainable across the cycle, the Board is recommending a final dividend of 2.5p per share (2011: 2.07p) making 3.5p for the year (2011: 3.0p).

Payment of the 2011/12 dividend will cost £17.5m in total and is covered five times by underlying earnings. If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 7 September 2012 to shareholders on the register on 17 August 2012.

Current trading and outlook

The good growth of the past year has carried forward into May with encouraging levels of fleet on rent and yield improvement. For the month, rental revenue grew by 15% in Sunbelt, and by 5% in A-Plant.

The momentum we have established, and the flexibility provided by our strong balance sheet, allows us to anticipate further growth with or without end market recovery.

Balance sheet

Fixed assets

Capital expenditure in the year was £476m (2011: £225m) with £426m invested in the rental fleet (2011: £202m).

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

			2012	2011
	Growth	Maintenance	Total	Total
Sunbelt in $m	**295.9**	**300.3**	**596.2**	295.0
Sunbelt in £m	**182.2**	**185.0**	**367.2**	176.9
A-Plant	**14.6**	**44.4**	**59.0**	25.5
Total rental equipment	**196.8**	**229.4**	**426.2**	202.4
Delivery vehicles, property improvements and computers			**50.2**	22.4
Total additions			**476.4**	224.8

With good demand in the US, $296m of rental equipment capital expenditure was spent on growth while $300m 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.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2012 was 37 months (2011: 44 months) weighted on a net book value basis. Sunbelt's fleet had an average age of 36 months (2011: 44 months) while A-Plant's fleet had an average age of 41 months (2011: 42 months).

Last year's gross expenditure exceeded the £425m guidance provided with our third quarter results in March because we elected to bring forward into April deliveries originally scheduled for May. As a result, our capital expenditure guidance for next year is now lowered to reflect those early deliveries with our current plan being for gross additions of around £450m. The early deliveries do not impact the timing of when the expenditure will be paid for and accordingly we still expect net payments for capital expenditure of approximately £400m after disposal proceeds of approximately £100m. This level of expenditure is consistent with our strategy at this stage in the cycle of investing in organic growth, whilst both de-ageing our fleet and continuing to reduce our leverage.

The original cost of the Group's rental fleet and the dollar and physical utilisation for the year ended 30 April 2012 are shown below:

	Rental fleet at original cost			LTM rental revenue	LTM dollar utilisation	LTM physical utilisation
	30 April 2012	30 April 2011	LTM average			
Sunbelt in $m	**2,453**	2,151	2,319	1,335	58%	70%
Sunbelt in £m	**1,511**	1,289	1,428	838	58%	70%
A-Plant	**358**	343	352	168	48%	65%
	1,869	1,632	1,780	1,006		

Dollar utilisation is defined as rental revenue divided by average fleet at original (or 'first') cost and, in the year ended 30 April 2012, was 58% at Sunbelt (2011: 51%) and 48% at A-Plant (2011: 47%). Physical utilisation is time-based utilisation, which is calculated as the daily average of the original cost of equipment on rent as a percentage of the total value of equipment in the fleet at the measurement date and, in the year ended 30 April 2012, was 70% at Sunbelt (2011: 68%) and 65% at A-Plant (2011: 69%). At Sunbelt, physical utilisation is measured for equipment with an original cost in excess of $7,500 which comprised approximately 90% of its fleet at 30 April 2012.

Trade receivables

Receivable days at 30 April were 44 days (2011: 46 days). The bad debt charge for the year ended 30 April 2012 as a percentage of total turnover was 0.7% (2011: 0.8%). Trade receivables at 30 April 2012 of £149m (2011: £132m) are stated net of provisions for bad debts and credit notes of £14m (2011: £14m) with the provision representing 8.5% (2011: 9.4%) of gross receivables.

Trade and other payables

Group payable days were 70 days in 2012 (2011: 57 days) with capital expenditure related payables, which have longer payment terms, totalling £133m (2011: £58m). Payment periods for purchases other than rental equipment vary between seven and 45 days and for rental equipment between 30 and 120 days.

Provisions

Provisions of £33m (2011: £33m) relate to the provision for self-insured retained risk under the Group's self-insurance policies, as well as to 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 recover our liability related to each and every valid claim in excess of an agreed excess amount of $500,000. A higher excess existed on our general liability policies in the amount of $2m until September 2008 and then $650,000 until September 2010. In the UK our self-insured excess per claim is much lower than in the US and is typically £100,000 per claim or less. Our liability insurance coverage is limited to a maximum of £130m per claim.

Pensions

The Group operates a number of pension plans for the benefit of employees, for which the overall charge included in the financial statements was £6m (2011: £2m). Amongst these, the Group has one defined benefit pension plan which covers approximately 110 remaining active employees in the UK and which was closed to new members in 2001. All our other pension plans are defined contribution plans.

The Group's defined benefit pension plan was, measured in accordance with the accounting standard IAS 19, Employee Benefits, £3m in surplus at 30 April 2012 (2011: £6m). The investment return on plan assets was below the expected return by £2m and there was an experience loss on liabilities of £1m. In addition, there was the impact of the reduction of the market-linked discount rate from 5.3% to 4.8%, partially offset by a reduction in assumed future inflation. Overall, there was a net actuarial loss of £6m in the year which, in accordance with our accounting policy of immediate recognition, was taken to the statement of comprehensive income for the year.

The next triennial review of the plan's funding position by the trustees and the actuary is due at 30 April 2013.

Contingent liabilities

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

As previously reported, in spring 2011, following audits of the tax returns of the Group's US subsidiaries for the four years ended 30 April 2009, the US Internal Revenue Service ('IRS') issued revised assessments and associated notices of interest and penalties arising from its proposed reclassification of certain US intercompany debt in those years from debt to equity and its consequent proposed recharacterisation of US interest payments to the UK as equity-like distributions. The revised assessments would have resulted in additional net tax payments due of $31m together with interest and penalties of $15m. We disagreed with these assessments and defended our position vigorously.

Sunbelt and its advisers recently reached a satisfactory preliminary agreement with the IRS Appeals team on these matters. This preliminary agreement is expected to be documented and formally agreed following further internal review within the IRS during the coming fiscal year. There was no significant impact on the 2012 financial statements as a result of the preliminary agreement and the Board does not anticipate these issues generating any material impact on the Group's future results or financial position.

Cash flow

	Year to 30 April	
	2012 £m	2011 £m
EBITDA before exceptional items	**381.1**	283.8
Cash inflow from operations before exceptional items and changes in rental equipment	**364.6**	279.7
Cash conversion ratio*	**95.7%**	98.6%
Maintenance rental capital expenditure paid	**(222.4)**	(182.2)
Payments for non-rental capital expenditure	**(49.9)**	(20.4)
Rental equipment disposal proceeds	**83.4**	55.0
Other property, plant and equipment disposal proceeds	**6.8**	4.5
Tax paid	**(7.4)**	(4.3)
Financing costs paid	**(49.1)**	(66.7)
Cash flow before growth capex and payment of exceptional costs	**126.0**	65.6
Growth rental capital expenditure paid	**(135.4)**	–
Exceptional operating costs paid	**(3.3)**	(12.0)
Free cash flow	**(12.7)**	53.6
Business acquisitions	**(21.9)**	(34.8)
Total cash (absorbed)/generated	**(34.6)**	18.8
Dividends paid	**(15.3)**	(14.6)
Purchase of own shares by the ESOT	**(3.5)**	(0.4)
(Increase)/decrease in net debt	**(53.4)**	3.8

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

Cash inflow from operations rose 30% to £365m (2011: £280m) reflecting the 34% growth in EBITDA and good cash conversion. The cash conversion ratio fell slightly to 96% (2011: 99%) due to the higher gains on sale this year (£10.5m in 2011/12 compared to £6.4m in 2010/11) and the need to fund higher receivables which was partially offset by higher payables.

Total payments for capital expenditure (rental equipment, other PPE and purchased intangibles) during the year were £408m (2011: £203m). Disposal proceeds received totalled £90m, giving net payments for capital expenditure of £318m in the year (2011: £143m). Interest payments reduced to £49m (2011: £67m) reflecting the benefit of the debt refinancing undertaken in the fourth quarter of 2010/11, whilst tax payments were £7m (2011: £4m). Interest payments differ from the £51m net accounting charge in the income statement due to non-cash interest charges.

The Group generated £126m of net cash inflow before growth capex in the year whilst there was a £13m free cash outflow (2011: inflow of £54m) after growth capex and the payment of exceptional costs provided in earlier years relating to closed premises.

After £22m spent on acquisitions and £19m distributed to shareholders through dividends and share purchases by our ESOT, the increase in net debt from cash flow was £53m.

Capital structure

The Group's capital structure is kept under regular review. Our operations are financed by a combination of debt and equity. We seek to minimise the cost of capital while recognising the constraints of the debt and equity markets. At 30 April 2012 our pre-tax average cost of capital was approximately 9.5%.

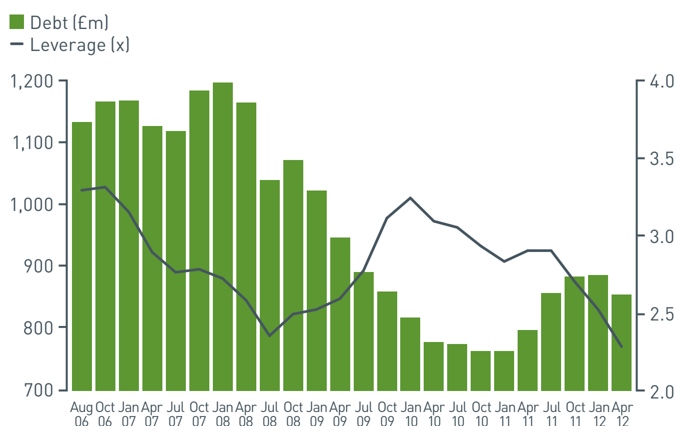
The Group targets leverage of between two and three times net debt to EBITDA over the economic cycle.

In considering returns to equity holders, the Board aims to provide a progressive dividend, with consideration to both profitability and cash generation at a level that is sustainable across the cycle.

Net debt

The chart below shows how, measured at constant April 2012 exchange rates for comparability, our net debt has changed over the cycle. We held net debt flat in 2006 and 2007 whilst investing significantly in fleet reconfiguration and de-ageing following the NationsRent acquisition. Through 2008 to 2010, we significantly lowered our capital expenditure, taking advantage of our young average fleet age, and consequently delivered significant reductions in outstanding debt, paying-off around one third of our debt in this way. In 2011 and 2012, we have stepped up our net capital expenditure as rental markets improved. The resulting slight increase in net debt in 2011/12 is due to principally acquisitions and dividends with free cash flow being sufficient to fund substantially all the increased capital expenditure.

Importantly, except for a rise during the recession, net debt to EBITDA leverage has been on a downward trend ever since the NationsRent acquisition in August 2006.



In greater detail, closing net debt at 30 April 2012 comprised:

	2012 £m	2011 £m
First priority senior secured bank debt	**539.9**	467.1
Finance lease obligations	**3.8**	3.0
9% second priority senior secured notes, due 2016	**334.0**	324.4
	877.7	794.5
Cash and cash equivalents	**(23.4)**	(18.8)
Total net debt	**854.3**	775.7

All our debt at both 30 April 2012 and 2011 was drawn in dollars providing a substantial but partial hedge against Sunbelt's dollar-based net assets.

Net debt at 30 April 2012 was £854m (30 April 2011: £776m) which includes a translation increase in the year of £21m reflecting the weakening of the pound against the dollar. The Group's EBITDA for the year ended 30 April 2012 was £381m and the ratio of net debt to EBITDA was therefore 2.2 times at 30 April 2012 (2011: 2.7 times).

Our debt package remains well structured for our business across the economic cycle. We retain substantial headroom on facilities which are committed for the long term, with an average of 4.1 years remaining at 30 April 2012. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 5%.

Debt facilities

The Group's principal debt facilities are as follows:

Asset-based first priority secured bank debt

At 30 April 2012, $1.4bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility') until March 2016 while the amount utilised was $918m (including letters of credit totalling $25m). Since the year end the Company has obtained additional commitments from its lenders which have increased the size of the ABL facility by $400m to $1.8bn, with no other changes to its terms or to the March 2016 maturity. The ABL facility is secured by a first priority interest in substantially all of the Group's assets. Pricing for the revolving credit facility is based on the ratio of funded debt to EBITDA before exceptional items according to a grid which varies, depending on leverage, from LIBOR plus 200bp to LIBOR plus 250bp. At 30 April 2012 the Group's borrowing rate was LIBOR plus 225bp.

The ABL facility includes a springing covenant package with two financial performance covenants, as follows:

- funded debt to LTM EBITDA before exceptional items not to exceed 4.0 times; and
- a fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last 12 months) which must be equal to or greater than 1.1.

These covenants do not, however, apply when availability (the difference between the borrowing base and facility utilisation) exceeds 12% of the facility size ($216m following the recent increase in the facility size to $1.8bn discussed above). At 30 April 2012 excess availability under the enlarged bank facility was $735m ($479m at 30 April 2011) meaning that covenants were not measured at 30 April 2012 and are unlikely to be measured in forthcoming quarters.

As a matter of good practice, we still, however, calculate the covenant ratios each quarter. At 30 April 2012, as a result of the significant investment in our rental fleet, the fixed charge ratio did not meet the covenant requirement whilst the leverage ratio did so comfortably. The fact the fixed charge ratio is below 1.1 times does not cause concern given the strong availability and management's ability to flex capital expenditure downwards at short notice.

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.

Under the terms of the 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. Financial performance covenants under the 9% senior secured note issue are only measured at the time new debt is raised. Interest is payable semi-annually on 15 February and 15 August each year. The notes are listed on the Official List of the UK Listing Authority.

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 2012 by year of expiry:

	Payments due by year ended 30 April						
	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	545.7	–	–	545.7
Finance leases	2.1	1.3	0.4	–	–	–	3.8
9.0% senior secured notes	–	–	–	–	338.7	–	338.7
	2.1	1.3	0.4	545.7	338.7	–	888.2
Deferred costs of raising finance	–	–	–	(5.8)	(4.7)	–	(10.5)
Cash at bank and in hand	(23.4)	–	–	–	–	–	(23.4)
Net debt	(21.3)	1.3	0.4	539.9	334.0	–	854.3
Operating leases[1]	33.5	27.7	23.0	17.8	14.6	51.0	167.6
Total	12.2	29.0	23.4	557.7	348.6	51.0	1,021.9

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

Operating leases relate to the Group's properties.

Except for the off balance sheet operating leases described above, £15m ($25m) of standby letters of credit issued at 30 April 2012 under the first priority senior debt facility relating to the Group's insurance programmes and £1m of performance bonds granted by Sunbelt, we have no material commitments that we could be obligated to pay in the future which are not included in the Group's consolidated balance sheet.

Presentation of financial information

Currency translation and interest rate exposure

Our reporting currency is the pound sterling. 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, revenue and costs being denominated in US dollars.

We have arranged our financing so that virtually all our debt was denominated in US dollars at 30 April 2012. At that date, dollar denominated debt represented approximately 75% 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 £1.3m.

Revenue

Our revenue is a function of our rental rates and the size, utilisation and mix of our equipment rental fleet. The rates we charge are affected in large measure by utilisation and the relative attractiveness of our rental equipment, while utilisation is determined by market size and our market share, as well as general economic conditions. 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 time utilisation on those items in our fleet with an original cost of $7,500 or more which constituted 90% of our US serialised rental equipment at 30 April 2012. In the UK, time utilisation is measured for all our serialised rental equipment. The size, mix and relative attractiveness of our rental equipment fleet is affected significantly by the level of our capital expenditure.

The main components of our revenue are:

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

Costs

The main components of our total costs are:

- staff costs – staff costs at our stores as well as at our central support offices represent the largest single component of our total costs. Staff costs consist of salaries, profit share and bonuses, social security costs, and other pension costs, and comprised 35% of our total operating costs in the year ended 30 April 2012;
- used rental equipment sold which comprises the net book value of the used equipment sold in the year as it was stated in our accounts immediately prior to the time at which it was sold and any direct costs of disposal, comprised 8% of our operating costs in the year ended 30 April 2012;
- other operating costs – comprised 36% of total costs in the year ended 30 April 2012. These costs include:
  - spare parts, consumables and outside repair costs – costs incurred for the purchase of spare parts used by our workshop staff to maintain and repair our rental equipment as well as outside repair costs;

- facilities costs – rental payments on leased facilities as well as utility costs and local property taxes relating to these facilities;
- vehicle costs – costs incurred for the maintenance and operation of our vehicle fleet, which consists of our delivery trucks, the light commercial vehicles used by our mobile workshop staff and cars used by our sales force, store managers and other management staff; and
- other costs – all other costs incurred in operating our business, including the costs of new equipment and merchandise sold, advertising costs and bad debt expense.

• depreciation – the depreciation of our property, plant and equipment, including rental equipment, comprised 21% of total costs in the year ended 30 April 2012.

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

Critical accounting policies

We prepare and present our financial statements in accordance with applicable 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.

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 and environmental fees, is recognised on a straight-line basis over the period of the rental contract. Because rental contracts 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 and is recorded as rental revenue.

Revenue from the sale of used rental equipment, new equipment, parts and supplies, retail merchandise and fuel is recognised at the time of delivery to, or collection by, the customer and when all obligations under the sales contract have been fulfilled.

Revenue from sales of used rental equipment 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.

Useful lives of property, plant and equipment

We record expenditure for property, plant and equipment at cost. We depreciate equipment using the straight-line method over its estimated useful economic life (which ranges from three to 20 years with a weighted average life of eight years). We use an estimated residual value of 10–15% of cost in respect of most types of our rental equipment, although the range of residual values used varies between zero and 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. Our total depreciation expense in the year ended 30 April 2012 was £200m.

Impairment of assets

Goodwill is not amortised but is tested annually for impairment at 30 April. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable and independent cash flows for the asset being tested for impairment. In the case of goodwill, impairment is assessed at the level of the Group's 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 2012, the total provision for self-insurance recorded in our consolidated balance sheet was £19m.

Geoff Drabble
Chief executive
20 June 2012

Ian Robson
Finance director

Giving back to communities
Contributing to the communities in which we operate is a core part of being a responsible company. Our involvement is at both corporate and local level, and we choose to align our efforts closely with our own operations.

For example, in the US, Sunbelt supports the American Red Cross, providing financial support, disaster response expertise and local community involvement. We also support Habitat for Humanity, a not-for-profit organisation which is helping to build over 500,000 good affordable homes, by providing equipment either rent-free or at discounted rates and local volunteers from amongst our employees. In addition, stores are encouraged to support their own local community initiatives such as the local soup kitchen in Mooresville, North Carolina, which has benefited from the provision of a wide variety of equipment over a number of years.

Training programme for our 1,000 US drivers to ensure they drive safely and in an environmentally friendly way.

Corporate responsibility report

We have extensive programmes in place to develop and maintain safe working practices across the Group

We work in an industry moving heavy and potentially dangerous equipment as well as regularly coming into contact with hazardous materials. How we keep our employees safe and limit any impact from those hazardous materials are of prime concern and are intrinsically linked to the long-term sustainability of our business.

Our employees are our most valuable asset and we work hard to ensure they have the right training and support throughout their careers with us. In addition we endeavour to make a positive contribution to the communities in which we operate and to limit any negative impact we may have on the environment.

How corporate responsibility is managed

Our Group environment, health and safety and risk management processes are managed through our Group Risk Committee which reports to the Group chief executive and the Audit Committee. The Committee is chaired by an executive director of Ashtead Group plc. Suzanne Wood will chair the Committee following the retirement of Ian Robson in July 2012. Other members of the Committee are:

- the heads of Sunbelt's and A-Plant's risk and safety teams;
- UK and US legal counsel;
- the heads of Sunbelt's and A-Plant's performance standards (internal operational audit) teams; and
- the Sunbelt Board member to whom its legal counsel and safety director report.

The Group Risk Committee provides the Audit Committee, and through them the Board, with a comprehensive annual report on its activities including new legislative requirements, details of areas identified in the year as requiring improvement, and the status of actions being taken to make the necessary improvements. Last year's priorities included: ensuring a common understanding amongst our branch management and truck drivers of the need to always comply with relevant vehicle safety and hours of work legislation; further enhancement of our disaster recovery planning for our IT systems; and a renewed focus on our washbays, recycling and oil/water separation systems to ensure appropriate waste management and environmental protection across our branch network. Substantial progress was made in the year on all three priorities with 'hot' standby back-up systems now in place at our disaster recovery data centres in both the UK and US for all our significant IT systems, and high percentage compliance rates achieved across the whole of our store network against our waste management compliance targets.

The Group Risk Committee also facilitates the coordination of the activities of Sunbelt and A-Plant so that best practice and new initiatives in one business can be shared with, and adopted by, the other.

Health and safety

Because our business is focused on the movement and maintenance of large and heavy equipment, rigorous safety procedures are essential if we are to limit potential harm to both our staff and our reputation. Having a strong reputation for excellent health and safety is a significant competitive advantage for us. In addition, changing legislation in this area and the more stringent requirements on everyone involved in the industry, are also driving our business growth. This is because as health and safety regulations become more onerous across the industry, abiding by them is more difficult and expensive for both our customers and also our competitors amongst the smaller rental companies. As a result, it may make better economic sense for customers to outsource more of that health and safety commitment to a specialist equipment rental provider such as Ashtead and smaller rental companies may struggle to compete. For these reasons health and safety procedures are therefore at the heart of everything we do.

We have extensive programmes in place to develop and maintain safe working practices across the Group and remind our employees of the need to be safe at all times. We also offer assistance to our customers in fulfilling their own responsibilities to ensure the safety of their employees. We have an ongoing programme of specialised customer health and safety briefings on using our equipment range, as well as regular general health and safety awareness-raising initiatives. We also make a considerable annual investment in ensuring our rental equipment meets or exceeds the latest safety standards, as well as providing health and safety advice and materials along with each rental.

ISO accreditation in the UK

A-Plant has ISO 9001 (the Quality Standard) accreditation across all its operations as well as ISO 14001 (Environmental management) and OHSAS 18001 (Occupational Health & Safety management) accreditations. These certifications give confidence to the UK's largest customers (who we find are most focused on site safety) that we have in place the appropriate policies, training programmes, feedback and auditing and monitoring processes to minimise our impact on the environment and ensure the safety of our workforce. They also aid us when our large customers come in and audit our operations for compliance with the standards they look for us to apply.

Corporate responsibility report

How we track health and safety

Each of our stores is required to display prominently a statement on our policies on health and safety and we maintain sizeable internal health and safety teams to ensure that the correct precautions are in place throughout our business. We track and analyse any incidents which occur to enable us to identify recurrent issues and implement preventative improvements across our UK and US networks. In recent years we have allocated significant resources to improving the mechanisms in place for incident response and investigation.

On a day-to-day basis, health and safety is tracked across the business by the number of reported incidents that occur during the course of our work. The number of reportable accidents is also one of our Group-wide KPIs. We are pleased to report that in both the US and UK reported incidents continued to reduce last year. Over the last year, Sunbelt had 400 reported incidents relative to a workforce of 6,444 (2011: 388 incidents relative to a workforce of 5,348, excluding Empire which was acquired in January 2011) whilst the UK had 275 incidents relative to an average workforce of 1,958 (2011: 281 incidents relative to an average workforce of 1,921). For the purposes of tracking, the term incident does not necessarily mean that an employee was hurt or injured. Rather it represents an event that we want to track and report for monitoring and learning purposes under our health and safety management policies.

There are significant differences in how reportable accidents are defined in the US and UK due to differing legislation in the two countries. Under the relevant definitions which generally encompass more accidents in the US than in the UK, Sunbelt had 170 OSHA (Occupational Safety and Health Administration) recordable accidents (2011: 184 accidents) which, relative to total employee hours worked, gave a Total Incident Rate of 2.14 (2011: 2.72). In the UK, A-Plant had 39 RIDDOR reportable incidents (2011: 40) which, relative to total employee hours worked, gave a RIDDOR reportable rate of 0.87 (2011: 0.95). In order to compare accident rates between the US and UK, Sunbelt also applied the RIDDOR definition to its accident population which gave a figure this year of 118 RIDDOR reportable accidents in the US (2011: 115). On a like-for-like basis Sunbelt's RIDDOR reportable 2011/12 accident rate of 0.74 (2010/11: 0.85) was slightly better than A-Plant's rate of 0.87 (2010/11: 0.95).

Health and safety training

Our most comprehensive Group-wide training programmes relate to health and safety for the reasons outlined above. Regular employee education and awareness training is, in our view, the most effective way of improving and sustaining safety standards across our businesses. We seek continually to educate our employees and our customers about new and improved methods of ensuring employees operate in a safe environment.

In recent years we have focused particularly on leadership training and enhanced safety training at Sunbelt to reduce employee incidents and injuries. Last year we conducted a major programme of training for our US drivers building on the successful driver training carried out in the UK the prior year. The training focused on teaching drivers to drive both more safely and in the most carbon efficient way. In the UK, all new drivers are required to attend a four-day training programme at our specialist training centre in Nottingham before they are allowed to drive any of our vehicles. As well as subsequently receiving regular safety refresher training, all drivers are encouraged to complete the Carry & Deliver Goods or Driving a Goods Vehicle NVQ (National Vocational Qualification).

Ethics

We have the highest ethical standards at Ashtead and our Group-wide ethics policy is communicated directly to Sunbelt and A-Plant's employees through dedicated communication programmes. In addition we have a Group entertainment policy which sets out expectations in this area. Whistle-blowing arrangements, in place in both the US and the UK, allow employees, in confidence, to raise concerns about any alleged improprieties they may encounter. Our extensive training and induction programmes ensure our staff receive the appropriate training and briefing on relevant ethics-related policies.

Last year we completed Group-wide training in advance of the new UK Bribery Act. Elements of this training are now incorporated in the induction training for relevant new employees and we have set up a programme of annual refresher training to ensure continued awareness and compliance. We are pleased to report that to date, we believe the business to be fully compliant with the new Act.

Our people

At Ashtead our employees are a key component of our competitive advantage because of the high-quality service they provide to our customers. We are very proud of our superior workforce and invest heavily in their training and development as well as aiming to offer them superior reward and benefits. Both Sunbelt and A-Plant have extensive programmes in place to ensure high standards of recruitment, training, levels of customer service and the appraisal, review and reward of our employees. A-Plant's three-year apprenticeship scheme is one of the most successful in the industry and is always heavily oversubscribed. We also have a good record of retaining our apprentices at the conclusion of the programme. In the US Sunbelt works with the US military to provide opportunities for quality veteran recruits looking to apply some of the skills they have learned to a civilian career and was recently voted a top 50 military recruiter by CivilianJobs.com. As the market improves we expect recruitment to increase in line with business requirements.

Reward and benefits

We motivate and reward our people through a combination of competitive fixed pay and attractive incentive programmes. Our sales force is also incentivised through commission plans which are based on sales volume and a broad measure of return on investment determined by reference to equipment type and discount level. We maintain flexibility in these incentive plans to reflect changes in the economic environment. We believe this was an important element in retaining the confidence of our workforce through the recession.

In addition to their core benefits, including pension and life insurance arrangements, we have an employee assistance helpline which offers free confidential support and advice to those in need.

Leading the industry in making drivers safe when working at height
Following the successful launch last financial year of our proprietary Vehicle Fall Protection system, in August 2011 we launched the new 26T, a specially designed vehicle which is equipped with a hydraulic walkway operated at the touch of a button rather than having to be manually constructed as before. The vehicle offers drivers maximum protection when loading and unloading plant equipment and is designed to prevent falls from height as well as providing other additional safety features, such as improved directional alarms and on-screen distance markers.

Corporate responsibility report

Career development and training
The welfare and job satisfaction of our people is enormously important and our career development programmes are designed to enable them to progress. Significant numbers of our staff remain with us for most of their careers, something which is increasingly uncommon. Several of our most senior staff started out at entry level within our stores and their continuity of employment is testament to our focus on employee development.

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 stores to discuss performance and enable employees to input into ways of improving performance and service levels. In addition, particular emphasis is placed on the responsibilities of our store managers and workshop foremen to facilitate on-the-job training. More formal training programmes in the UK are held at our National Training Centre in Nottingham.

Apprenticeship programme
Last year A-Plant's award-winning three-year apprenticeship programme saw record recruitment figures with 42 Year 1 apprentices recruited into the business compared with 24 the previous year. These were split into three categories: plant maintenance; customer services; and driving. The Plant Maintenance programme is a three-year programme where apprentices attend Reaseheath College, in Cheshire, on a block release basis as well as gaining practical skills in store workshops under the guidance of a mentor, where they work towards Level 3 Advanced Apprenticeship.

The Customer Service programme is also a three-year programme and is predominantly work-based with quarterly sessions delivered in-house, coupled with regular NVQ Assessor visits. Driver apprentices are store-based and their apprenticeship programme takes two years to complete. We believe we have one of the highest apprentice retention rates in the industry with typically over 85% of those graduating from the programme still employed one year after completing their training.

Health and wellness in the US
As part of our ongoing efforts to keep our employees healthy, last year Sunbelt set up a special health and wellness campaign for its employees. This campaign covers a variety of initiatives such as education sessions on dietary information, heart health and exercise tips, healthy recipes, team activities, and news briefings on topics such as diabetes. In March, a team of over 60 Sunbelt runners participated in a 5km and half marathon event. In the past year, Sunbelt has also worked with third party specialists to routinely contact high-risk medical candidates in a successful preventative effort to lower health insurance costs.

Diversity and equal opportunities
Ashtead works hard to ensure equal opportunities for all our staff, as well as prioritising employment diversity. We use numerous recruiting sources including, but not limited to, local community agencies and contacts, minority and women's organisations, colleges and job fairs. We predominantly recruit from the areas immediately around our facilities thereby providing opportunities for local people. We make every reasonable effort to give disabled applicants and existing employees becoming disabled, opportunities for work, training and career development in keeping with their aptitudes and abilities. We do not discriminate against any individual on the basis of a protected status, such as sex, colour, race, religion, native origin or age.

Ours is mainly a male workforce but nonetheless, we have women at all levels in both the US and UK including Suzanne Wood joining the Board shortly, on the senior management team, as store managers, sales executives and apprentices. We are committed to providing excellent training and career paths for all employees who work at Ashtead.

In the US we are required by law to monitor ethnicity in our workforce every year and maintain a diverse workforce. Last year, in the UK, as part of our move towards online recruitment, we began to gather ethnicity data as part of the recruitment process to monitor our diversity. We have also extended this to existing employees through an Equality and Inclusion Survey. Increasingly many local authority and public sector tenders request this kind of information. We are committed to providing opportunities for people from all ethnic groups and in both geographies we have good representation from ethnic minorities across the organisation.

In addition, before the change in UK law which removed the default retirement age of 65 came into full effect, we already by agreement had a number of staff working beyond 65 and expect that to increase in the future. In the US, there is no set retirement age.

Making the most of potential
Sheila O'Callaghan joined A-Plant four years ago and the company was quick to spot her potential. She says A-Plant has been very flexible and supportive in helping her complete her apprenticeship and then move on to become a workshop assistant. She has progressed fast and is now workshop manager at our site in Brentwood, Essex, managing a team of nine engineers working on our specialised powered access rental equipment.

Environment
There are numerous laws governing environmental protection that affect our business and we are committed to taking reasonable actions to minimise the risk of adverse impact on the environment from our business. As outlined earlier in this report, the equipment we rent is subject to increasing environmental regulations. For example, from 2015, Tier 4 engines, designed to further cut carbon emissions, will be the only ones available to purchase. This will have a major impact on the equipment we acquire in the next few years to ensure we are compliant with the new regulatory regime.

Limiting our environmental impact
Last year, Sunbelt launched a major initiative to minimise the impacts and risk associated with our wash bays. We conducted audits at all our locations, to assess best practice and ensure this was adopted throughout the network. The programme involved significant investment in improved processes and/or equipment upgrades, and included implementation of a new employee training programme for equipment washing, improved access to wash bay equipment maintenance materials and the publication of guidebooks.

We seek to fulfil our environmental obligations through:

- diligently tracking pertinent environmental regulations and requirements and carrying out self-audits to maintain compliance;
- investing in the regular renewal of our rental fleets to ensure that the equipment we provide to our customers mostly incorporates the latest environmental technology available from our chosen manufacturers;
- ensuring that our stores are adequately equipped to operate in a safe and secure way, protective of the environment. Key matters covered 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 to ensure secure fuelling of our fleet and, where relevant, vehicles;
- ensuring proper arrangements are made, through the use of reputable vendors, for the collection and disposal of waste fuels and oils, tyres and other old or broken parts released as we service and maintain our rental fleets;
- investing in a modern and efficient delivery truck fleet which enables us to ensure that our vehicles are purchased with regard for good emissions management and fuel efficiency;
- ensuring, wherever practicable, that we control noise and potential disruption in and around our depots so as not to unduly impact the communities immediately surrounding them; and
- reducing our waste to landfill by significantly increasing the amount of waste that goes to recycling.

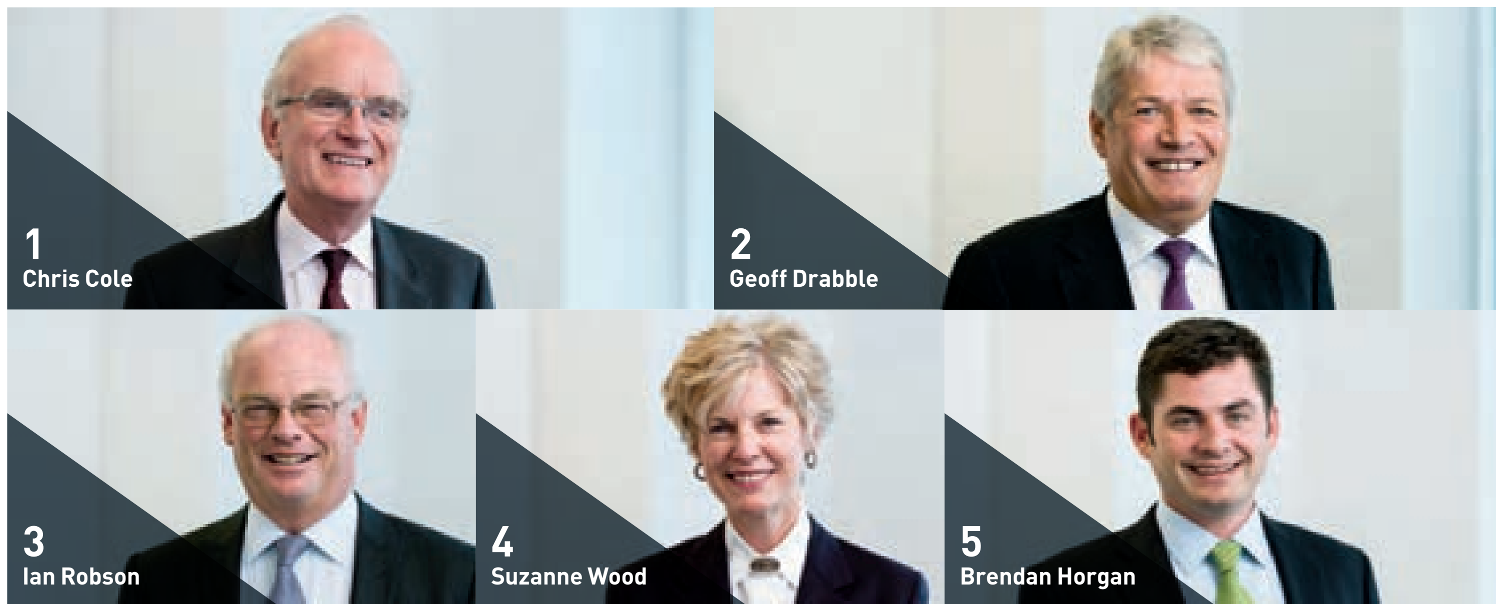
When it comes to reducing our own environmental impact, we support the initiatives of the Carbon Disclosure Project in the management of harmful carbon dioxide emissions. We participate in its annual survey and report on our carbon dioxide emissions. We are pleased to report that across the Group our estimated total CO_2 emissions continued to decrease relative to our activity levels last year. In the year to 30 April 2012 total CO_2 emissions were 162,000 tonnes (2011: 167,000 tonnes). This comprised 139,000 tonnes at Sunbelt (2011: 142,000 tonnes) and 23,000 tonnes for A-Plant (2011: 25,000 tonnes).

Having an emergency plan
When accidental spills of oil, fuel or other hazardous material do occur despite best preventative efforts, we are prepared to remedy the situation via rapid response from one of our pre-screened and contracted emergency response contractors. This enables us to efficiently address the environmental concerns before they become long-term and costly problems.

Whilst these emission levels are low relative to our revenue and employee numbers, we recognise that most of our emissions are generated by our delivery truck fleet in transporting our equipment to customers' job sites. Our customers expect and pay for this delivery but we continue to work on initiatives to help us cut our emission levels, such as reducing the speed at which our vehicles are driven. On big, long-term construction sites, we are prepared to place pools of our equipment at the job site enabling equipment to be sourced on site and thereby reducing the site's overall transportation needs. As we reported last year we also developed the Auto Tool Hire Unit, which allows the storage of smaller tools at the job-site. Both these on-site initiatives reduce the need for item-by-item delivery to the job site thereby helping to cut distribution emissions.

Geoff Drabble
Chief executive
20 June 2012

Directors



1. Chris Cole

Non-executive chairman ● ●

Chris Cole has been a director since January 2002 and was appointed as non-executive chairman in March 2007. Chris is chairman of the Nomination Committee and a member of the Finance and Administration Committee. He is chief executive of WSP Group plc and will become executive chairman of WSP GENIVAR later in 2012 when GENIVAR Inc. completes its recently announced recommended acquisition of WSP Group plc.

Executive directors

2. Geoff Drabble

Chief executive ● ●

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

3. Ian Robson

Finance director ●

Ian Robson has been finance director since June 2000. Prior to June 2000, Ian held a series of senior financial positions at Reuters Group plc for four years. Before joining Reuters Group plc, he was a partner at Price Waterhouse (now PricewaterhouseCoopers LLP). Ian is a member of the Finance and Administration Committee. As previously announced, Ian Robson will be retiring on 13 July 2012.

4. Suzanne Wood

Finance director designate

Suzanne Wood will be appointed finance director on Ian's retirement in July 2012 and has been shadowing Ian to prepare for this for the past six months. She joined Sunbelt as its chief financial officer in 2003. Suzanne is a US qualified accountant, having trained with Price Waterhouse. Suzanne is a US citizen and lives in Charlotte, North Carolina but will also be maintaining a London residence following her appointment.

5. Brendan Horgan

Chief executive officer, Sunbelt

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

6. Sat Dhaiwal

Chief executive, A-Plant

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

Non-executive directors

7. Hugh Etheridge

Senior independent non-executive director ● ● ●

Hugh Etheridge has been a director, chairman of the Audit Committee and a member of the Remuneration and Nomination Committees since January 2004. Hugh was appointed as senior independent non-executive director in March 2007. With effect from June 2011, he was appointed a non-executive director of William Sinclair Holdings plc. Hugh was formerly 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, he was finance director of Waste Recycling Group plc and prior to that, of Matthew Clark plc.

8. Michael Burrow

Independent non-executive director ● ● ●

Michael Burrow was appointed as a non-executive director and member of the Audit, Remuneration and Nomination Committees effective from March 2007 and Chairman of the Remuneration Committee in September 2010. Michael was formerly managing director of the Investment Banking Group of Lehman Brothers Europe Limited.

9. Bruce Edwards

Independent non-executive director ● ●

Bruce Edwards was appointed as a non-executive director in June 2007 and a member of the Nomination Committee and Remuneration Committee effective from February 2009 and September 2010 respectively. Bruce 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, he was a director of Exel plc and chief executive of its Americas businesses. Bruce is also a non-executive director of Greif Inc, a NYSE-listed packaging and container manufacturer. Bruce is a US citizen and lives in Columbus, Ohio.

10. Ian Sutcliffe

Independent non-executive director ● ● ●

Ian Sutcliffe was appointed as a non-executive director and member of the Audit, Remuneration and Nomination Committees in September 2010. Ian is chief executive officer of Keepmoat. Ian was formerly managing director, UK Property, at Segro plc where he had been a director since June 2008. Prior to joining Segro he held senior executive positions with Taylor Wimpey plc and Royal Dutch Shell plc.

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

Key:
- ● Audit Committee
- ● Remuneration Committee
- ● Nomination Committee
- ● Finance and Administration Committee

Directors' report

The directors present their report and the audited accounts for the financial year ended 30 April 2012.

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 £135m (2011: £2m). 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 6 to 25 and in note 23 to the financial statements. These disclosures form part of this report. The Company paid an interim dividend of 1.0p per ordinary share in February and the directors recommend the payment of a final dividend of 2.5p per ordinary share, to be paid on 7 September 2012 to those shareholders on the register at the close of business on 17 August 2012, making a total dividend for the year of 3.5p (2011: 3.0p).

Share capital and major shareholders

Details of the Company's share capital are given in note 19 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 Ownership Trust ordinarily follow the guidelines issued by the Association of British Insurers and do not exercise their right to vote at general meetings.

Under the Companies Act 2006, members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend and speak and vote on their behalf at a general meeting or any class of meeting. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A corporate member may appoint one or more individuals to act on its behalf at a general meeting or any class of meeting as a corporate representative. The deadline for the exercise of voting rights is as stated in the notice of the relevant meeting.

Transfer of shares

Certified shares

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

(ii) The share transfer form must be delivered to the registered office, or any other place decided on by the directors. The transfer form must be accompanied by the share certificate relating to the shares being transferred, unless the transfer is being made by a person to whom the Company was not required to, and did not send, a certificate. The directors can also ask (acting reasonably) for any other evidence to show that the person wishing to transfer the shares is entitled to do so.

CREST shares

(i) Registration of CREST shares can be refused in the circumstances set out in the Uncertified Securities Regulations.

(ii) Transfers cannot be in favour of more than four joint holders.

Based on notifications received, the holdings of 3% or more of the issued share capital of the Company as at 19 June 2012 (the latest practicable date before approval of the financial statements) are as follows:

	%
BlackRock, Inc.	7
Kames Capital	5
Baillie Gifford & Co.	5
Legal & General Group PLC	4
Old Mutual Asset Managers (UK) Ltd	4

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 40 to 45. Details of all shares subject to option are given in the notes to the financial statements on page 67.

Change of control provisions in loan agreements

A change in control of the Company (defined, inter alia, as a person or a group of persons acting in concert gaining control of more than 30% of the Company's voting rights) leads to an immediate event of default under the Company's asset-based senior lending facility. In such circumstances, the agent for the lending group may, and if so directed by more than 50% of the lenders shall, declare the amounts outstanding under the facility immediately due and payable.

Such a change of control also leads to an obligation, within 30 days of the change in control, for the Group to make an offer to the holders of the Group's $550m senior secured notes, due 2016, to redeem them at 101% of their face value.

Directors and directors' insurance

Details of the directors of the Company are given on pages 32 and 33. The policies related to their appointment and replacement are detailed on pages 36 and 37. Each of the directors as at the date of approval of this report confirms, as required by section 418 of the Companies Act 2006 that to the best of their knowledge and belief:

(1) there is no relevant audit information of which the Company's auditor is unaware; and

(2) each director has taken all the steps that he ought to have taken to make himself aware of such information and to establish that the Company's auditor is aware of it.

The Company has maintained insurance throughout the year to cover all directors against liabilities in relation to the Company and its subsidiary undertakings.

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 2012 was 70 days (30 April 2011: 57 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 £71,178 in total (2011: £50,007). No political donations were made in either year.

Auditor

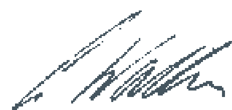
Deloitte LLP has indicated its willingness to continue in office and in accordance with section 489 of the Companies Act 2006, a resolution concerning its reappointment and authorising the directors to fix its remuneration, will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at 2.30pm on Tuesday, 4 September 2012. Notice of the meeting is set out in the document accompanying this Report and Accounts.

In addition to the adoption of the 2011/12 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 and remuneration of Deloitte LLP as auditor, the ability for the directors to unconditionally allot shares up to approximately two-thirds 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 15% of its issued share capital and the ability to call a meeting other than a general meeting on not less than 14 days' clear notice. These resolutions update for a further year similar resolutions approved by shareholders in previous years.

By order of the Board



Eric Watkins
Company secretary
20 June 2012

Corporate governance report

The UK Corporate Governance Code ('Corporate Governance Code') was published by the Financial Reporting Council in May 2010. The Company complied throughout the year with the provisions of the Corporate Governance 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 Corporate Governance 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 independent non-executive directors. Short biographies of the directors are given on pages 32 and 33.

The chairman undertakes leadership of the Board by agreeing Board agendas and ensures its effectiveness by requiring the provision of timely, accurate and clear information on all aspects of the Group's business, to enable the Board to take sound decisions and promote the success of the business. 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 being available to meet 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 are aligned 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 auditor and approval of the annual accounts and the quarterly financial reports to shareholders.

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 regularly with the senior executives 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.

As this will be the first Annual General Meeting since her appointment, Suzanne Wood will offer herself for election. The remaining directors, save for Ian Robson who will retire from the Company in July 2012, will retire at this year's Annual General Meeting and will offer themselves for re-election in accordance with the Corporate Governance Code.

New Group finance director

Suzanne Wood has been chief financial officer of Sunbelt Rentals Inc. since 2003 and will be appointed by the Board as a director of Ashtead Group plc in July 2012. In view of Suzanne's in-depth knowledge of the Sunbelt operation and the Group's financial structure and policies, the Nominations Committee and the Board unanimously considered that Suzanne was best suited for the position as the Group's finance director.

Non-executive directors

In the recruitment of non-executive directors, it is the Company's practice to utilise the services of an external search consultancy. Before appointment, non-executive directors are required to assure the Board that they can give the time commitment necessary to fulfil properly their duties, both in terms of availability to attend meetings and discuss matters on the telephone and meeting preparation time. The non-executives' letters of appointment will be available for inspection at the Annual General Meeting.

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

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

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.

It is the Board's intention to have its and its committees' performance evaluation conducted by an external third party during the forthcoming year.

Board committees

Audit Committee

The Audit Committee comprises Hugh Etheridge (chairman), who has relevant financial experience, Michael Burrow and Ian Sutcliffe. By invitation, the Group's finance director and its deputy finance director normally attend the Committee's meetings, as do the chairman and chief executive, together with representatives of our external auditor.

The Audit Committee met on four occasions during the year. The principal areas considered by the Committee since the last annual report included:

- the results for the periods ended 31 July 2011, 31 October 2011 and 31 January 2012 and for the year ended 30 April 2012;
- the external audit plan and key areas of audit focus for the year ended 30 April 2012;
- reports from the external auditor, Deloitte, related to the results for the six months ended 31 October 2011 and the year ended 30 April 2012. The Committee considered the work done and the key accounting estimates and principal judgemental accounting and reporting issues;
- the independence, objectivity and effectiveness of Deloitte and, in that context, the level of audit and non-audit fees paid to them. The Committee was satisfied as to their independence, objectivity and effectiveness;
- the frequency and scope of internal audit. Reflecting the stable control environment it was decided to defer the internal audit work programme to 2012/13;
- audit plans and reports from the internal operational auditors responsible for auditing detailed operational controls at a store level;
- the Group risk register and reports on the work of the Group Risk Committee;
- the effectiveness of the Group's internal controls and financial reporting policies; and
- reports on matters referred through the Group's whistle-blowing procedures and any actions taken following appropriate investigation.

The principal non-audit fees paid to the Company's auditor, Deloitte LLP, for the year relate to their review of the Company's interim results and tax advice. The Audit Committee is satisfied that the nature of work undertaken and the level of non-audit fees did not impair their independence.

Deloitte LLP was appointed external auditor in 2004. The Committee is recommending to the Board that a proposal be put to shareholders at the 2012 Annual General Meeting for the reappointment of Deloitte. There are no contractual restrictions on the Company's choice of external auditor and in making its recommendation the Committee took into account, amongst other matters, the objectivity and independence of Deloitte, as noted above, and their continuing effectiveness and cost.

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

Remuneration Committee

The Remuneration Committee comprises Michael Burrow (chairman), Hugh Etheridge, Bruce Edwards and Ian Sutcliffe. The 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.

Chris Cole and Geoff 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. External professional advice was obtained in the year from PricewaterhouseCoopers LLP ('PwC').

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 Nomination Committee comprises Chris Cole (chairman), Geoff Drabble, Hugh Etheridge, Michael Burrow, Bruce Edwards and Ian Sutcliffe. The Nomination Committee meets as and when required to consider the structure, the size 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 2011 and 30 April 2012

	Board	Audit	Remuneration	Nomination
Number of meetings held	6	4	4	1
Chris Cole	6	–	–	1
Sat Dhaiwal	6	–	–	–
Geoff Drabble	6	–	–	1
Brendan Horgan	6	–	–	–
Ian Robson	6	–	–	–
Michael Burrow	6	4	4	1
Bruce Edwards	6	–	3	1
Hugh Etheridge	6	4	4	1
Ian Sutcliffe	6	4	4	1

Corporate governance report

Finance and Administration Committee

The Finance and Administration Committee comprises Chris Cole, Geoff Drabble (chairman) and Ian Robson. The Board of directors has delegated authority to this committee to deal with routine financial and administrative matters between Board meetings. The Committee meets as necessary to perform its role and has a quorum requirement of two members with certain matters requiring the participation of Chris 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 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. Under its terms of reference the Group Risk Management Committee meets semi-annually or more frequently if required, with the objective of encouraging best risk management practice across the Group and a culture of regulatory compliance and ethical behaviour. The Group Risk Management Committee reports annually to the Audit Committee. These processes accord 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 mis-statement 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. It also considers whether, as a result of changes in either the internal or external environment, any new significant risks have arisen. The Group Risk Committee reviewed the draft report for 2012, which was then presented to, discussed and approved by the Audit Committee and the Group Board on 18 June 2012.

Before producing the statement on internal control for the Annual Report and Accounts for the year ended 30 April 2012, 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 auditor. The control system includes written policies and control procedures, clearly drawn lines of accountability and delegation of authority, and comprehensive reporting and analysis against budgets and latest forecasts.

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

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

- the maintenance and production of accurate and timely financial management information, including a monthly profit and loss account and selected balance sheet data for each store;
- the control of key financial risks through clearly laid down authority levels and proper segregation of accounting duties at the Group's accounting support centres;
- the preparation of a monthly financial report to the Board;
- the preparation of an annual budget and periodic update forecasts which are reviewed by the executive directors and then by the Board;
- a programme of rental equipment inventories and full inventory counts conducted at each store by equipment type independently checked on a sample basis by our operational auditors and external auditor;
- detailed internal audits at the Group's major accounting centres undertaken periodically by internal audit specialists from a major international accounting firm;
- comprehensive audits at the stores 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 in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for the Group in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Article 4 of the IAS Regulations 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 and the Companies Act.

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets, 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 2006.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Shareholders should note that legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

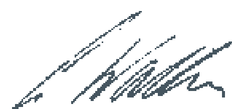
Going concern

The Group's operations and financial condition, together with factors likely to affect its future development, performance and condition are set out in the Business and financial review on pages 6 to 25. In particular, the Group's financial management and cash flow, including details of the Group's banking facilities are set out on pages 23 and 24. In addition, note 23 to the financial statements describes the Group's financial risk management policies and processes, including its exposure to interest rate risk, currency exchange risk, credit risk and liquidity risk.

The Group's debt facilities are committed for a weighted average period of 4.1 years as of 30 April 2012 with the earliest significant maturity being the ABL facility which continues until March 2016. The Group finances its day-to-day activity via the recently enlarged ABL facility under which excess availability totalled $735m at year end (pro forma for June's $400m facility upsize to $1.8bn). Taking account of reasonably possible changes in trading performance, used equipment values and the other factors that might impact availability, the Group expects to maintain significant headroom under the ABL facility for the forthcoming year.

After making enquiries, the directors therefore have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future and consequently that it is appropriate to adopt the going concern basis in preparing the financial statements.

By order of the Board



Eric Watkins
Company secretary
20 June 2012

Directors' remuneration report

Introduction

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('the Regulations'). 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 Act requires the auditor to report to the Company's members on elements of the Directors' remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Accounting 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 Corporate Governance Code. The members of the Committee are Michael Burrow (chairman), Hugh Etheridge, Bruce Edwards and Ian Sutcliffe. 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, Geoff Drabble, normally attends the meetings of the Committee to advise on operational aspects of the implementation of existing policies and policy proposals, except where his own remuneration is concerned, as does the non-executive chairman, Chris Cole. The company secretary acts as secretary to the Committee. Under Michael Burrow's direction, the company secretary and Geoff Drabble have responsibility for ensuring the Committee has the information relevant to its deliberations. In formulating its policies, the Committee has access to professional advice from outside the Company, as required, and to publicly available reports and statistics.

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;
- performance related bonus plans;
- 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, revenue, profit 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 cash 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 in October 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. In November 2011, the Group implemented a pay increase of 2 – 5% for its Sunbelt and Group employees. Geoff Drabble and Ian Robson received a salary increase of 4% of base salary, whilst Brendan Horgan (whose salary had only recently been set on appointment in January 2011) did not receive an increase. In A-Plant non-bonused staff were incentivised by a payment equal to 2% of base salary, paid in December but Sat Dhaiwal, in line with other members of A-Plant's management team, did not receive an increase.

Performance related bonus plans

The Deferred Bonus Plan

Recognising the significant growth opportunities for its business in North America and following consultation with its major shareholders the Company introduced the Deferred Bonus Plan ('the DBP') with effect from 1 May 2011.

The DBP, which will run for consecutive three-year periods, gives certain key members of the senior management teams of Sunbelt Rentals and Ashtead the opportunity to earn an annual bonus of up to 150% of base salary (apart from the Group chief executive whose maximum opportunity is 200%) for maximum performance, with a significant proportion of any earned bonus being compulsorily deferred into share equivalents. No bonus is earned under the DBP until a threshold level of performance, set by the Committee, has been achieved.

Under the rules of the DBP, upon satisfactory attainment of the annual performance targets, participants will receive a payment in cash (or shares at the option of the Company) equal to two-thirds of the combined total of their earned bonus for the current year and the value of any share equivalent awards brought forward from the previous year at the current share price. The other one-third will be compulsorily deferred into a new award of share equivalents evaluated at the then current share price. For the Group chief executive, whose maximum bonus opportunity is greater, only 50% of the total will be paid in cash (or shares at the option of the Company) with the other 50% being compulsorily deferred into a new award of share equivalents.

The deferred share equivalents are subject to 50% forfeiture for each subsequent year of the plan period where performance falls below the forfeiture threshold set for that year by the Committee.

At the expiration of each three-year period executive directors will, subject to the satisfactory attainment of the performance conditions for that year, receive in cash their bonus for that year plus any brought forward deferred equivalent at its then current value (i.e. there is no further deferral at the end of the third year).

The performance targets for Geoff Drabble and Brendan Horgan for the year to 30 April 2012 related directly to the pre-tax profits of Ashtead Group and Sunbelt Rentals. For the full year the pre-tax profit was £131m for Ashtead Group and $290m for Sunbelt Rentals. The targets set by the Committee for full entitlement under the DBP were pre-tax profits of £72m for the Group and $230m for Sunbelt Rentals. The Group target was significantly ahead of both prior year (£31m) and consensus expectation of £52m when the target was set. The target for Sunbelt Rentals was significantly ahead of the prior year ($162m). As a result the maximum bonus entitlements were earned and were equivalent to 200% of base salary for Geoff Drabble and 150% of base salary for Brendan Horgan with one-half and one-third respectively, being compulsorily deferred into share equivalents. In accordance with the plan rules the deferred share equivalent awards granted to each plan participant for 2011/12 have been calculated using the share price on 20 June 2012, the date the Group's full year results were approved.

In 2013 Geoff Drabble, Suzanne Wood (who will join the Board as finance director when Ian Robson retires in July 2012) and Brendan Horgan will participate in the DBP. The targets for Geoff Drabble and Suzanne Wood will be linked to the Group's pre-tax profits and those for Brendan Horgan will relate to Sunbelt's operating profit. These performance targets should be viewed in conjunction with the wider performance targets set for the 2012/13 PSP awards as detailed on page 42.

Annual bonus plan

Following the announcement in July 2011 of his retirement in July 2012 Ian Robson did not participate in the DBP for 2011/12 but continued to participate in the Company's traditional annual bonus scheme. Ian Robson's maximum bonus entitlement was 100% of base salary and related directly to the profitability of the Group. The stretch target set by the Committee was significantly exceeded and therefore Ian Robson earned his maximum bonus entitlement.

As a result of the different remuneration environment applicable to operational directors in the UK plant hire industry, the Committee also considered it appropriate for Sat Dhaiwal to continue to participate in the Company's traditional annual bonus scheme and not the DBP. The maximum bonus entitlement for Sat Dhaiwal was 100% of base salary and related directly to the profitability of A-Plant and was partially achieved. Accordingly he earned a bonus equivalent to 45% of base salary.

Share-based incentives and dilution limits

The Company observes an overall dilution limit of 10% in 10 years for all Company share schemes, together with a limit of 5% in 10 years for discretionary schemes. No new shares have been issued by the Company in connection with executive share plans in recent years.

The Performance Share Plan, which was adopted in 2004, is a long-term incentive share award plan under which 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 the upper end of this range and the chief executive receiving an award equivalent to 150% of his base salary as at the date of grant.

The performance criteria vary by year of award and are as follows:

		Performance criteria (measured over three 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)	Vested in full in October 2007
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)	EPS target met in full and 50% of the award vested. The remaining 50% lapsed
12/10/06	2006/7	2008/9 EPS – 16.2p (12.5% vested) – 19p (100% vested)		Lapsed
30/7/07	2007/8	2009/10 EPS – RPI+4% p.a. (30% vested) – RPI+10% p.a. (100% vested)		Lapsed
14/10/08	2008/9	2010/11 EPS – RPI + 0% p.a. (12.5% vested) – RPI + 5% p.a. (50% vested)	From date of grant versus FTSE 250 Index (12.5% at median; 50% at upper quartile)	TSR target met in full and 50% of the award vested. The remaining 50% lapsed
13/7/09	2009/10	2011/12 EPS – RPI + 0% (25% vested)	From date of grant versus FTSE 250 Index (37.5% at median; 75% at upper quartile)	EPS target met in full. TSR period not completed
29/6/10	2010/11	2012/13 EPS between 1p (12.5% vested) and 2.5p (50% vested)	From date of grant versus FTSE 250 Index (12.5% at median; 50% at upper quartile)	Not completed
27/7/11	2011/12	2013/14 EPS between 8p (12.5% vested) and 12p (50% vested)	From date of grant versus FTSE 250 Index (12.5% at median; 50% at upper quartile)	Not completed

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

Directors' remuneration report

EPS for the purpose of the outstanding awards is based on the profit before tax, exceptional items, fair value remeasurements and amortisation of acquired intangibles less the tax charge included in the accounts. The Remuneration Committee considers it most appropriate to measure TSR performance relative to the FTSE 250 (excluding investment trusts) rather than a specific comparator group of companies because there are few direct comparators to the Company listed in London and because the Company is a FTSE 250 company.

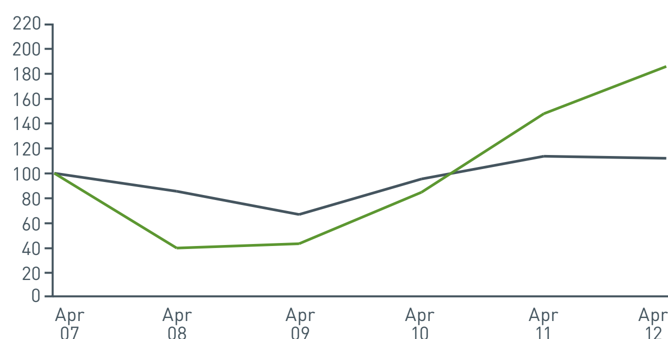
Following consultation with the Company's major shareholders, the Committee has determined that the performance criteria for the 2012/13 PSP award will be TSR (40%), RoI (25%), EPS (25%) and leverage (10%). The Committee intends to adopt a similar balanced scorecard approach for future PSP awards beyond 2012/13.

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. All executive directors currently meet this guideline.

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 2012, the ESOT held a beneficial interest in 4,582,462 shares.

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 2012. 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



Directors' pension arrangements
The Company makes a payment of 40% to Geoff Drabble's base salary in lieu of providing him with any pension arrangements. This was agreed prior to his joining the Company in 2006 and reflected the fact that he was leaving a generous defined benefit arrangement at his previous employer. Geoff is entitled to retire, under his contract, on or at any time after his sixtieth birthday.

Under the terms of his contract, Ian Robson is entitled to draw a pension equal to one-thirtieth of his final salary for each year of pensionable service, but without deduction for early payment, on retirement on 13 July 2012. Both the accrual rate and the early retirement provisions were agreed prior to his joining the Company in 2000 and reflected the need to be competitive with similar arrangements he enjoyed with his previous employer.

Following changes in the taxation of defined benefit pensions, the Company and Ian Robson agreed that his contributory membership of the defined benefit plan would cease at the end of March 2011 and that the Company would, from April 2011, make a payment to him of 40% of base salary in lieu of the Company making any further pension provision for service after that date. Ian retains all his previous rights accrued up to March 2011. Pursuant to his contract, following his retirement, he will receive a retirement allowance of £118,000 per annum from the Company from 14 July 2012 until he attains age 55. Thereafter, his pension obligation will be met by the Ashtead Group plc Retirement Benefits Plan.

Sat Dhaiwal's pension benefits are provided entirely through the Retirement Benefits Plan. His pension rights accrue at the rate of one-sixtieth of salary for each year of pensionable service and his normal retirement date is at age 65. Sat Dhaiwal 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 55 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; 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.

Brendan Horgan is a member of the Sunbelt 401K defined contribution pension plan and the 409A deferred compensation plan. He is entitled to a company co-match conditional on contributing into the 401K plan or deferring into the 409A plan 6% of his salary. The co-match is effected either by a company payment into the 401K plan or an enhanced deferral into the 409A plan pro-rata to how he chooses to make his 6% contribution and was $19,000 (4% of salary) in 2011/12.

Executive directors' service agreements
The service agreements between the Company and Geoff Drabble (dated 6 July 2006) and Sat Dhaiwal (dated 8 July 2002) and between Sunbelt and Brendan Horgan (dated 25 January 2011) are all terminable by either party giving the other 12 months' notice. In accordance with Ian Robson's service agreement dated 4 August 2000, he gave the Company notice in July 2011 of his intention to retire in July 2012. The service agreements for each of the executive directors all contain non-compete provisions appropriate to their roles.

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.

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

Audited information

Directors' remuneration

The total amount of directors' remuneration was £5,229,000 (2011: £3,179,000) and consisted of emoluments of £3,280,000 (2011: £3,036,000), gains on exercise of share options of £nil (2011: £143,000) and £1,949,000 (2011: £nil) receivable under long-term incentive plans.

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	Benefits in kind[i] £'000	Other allowances[ii] £'000	Performance related bonus[iii] £'000	Total emoluments 2012 £'000	Total emoluments 2011 £'000
Executive:							
Sat Dhaiwal	220	–	15	–	99	334	267
Geoff Drabble	468	–	34	227	474	1,203	1,160
Brendan Horgan	282	–	23	–	282	587	155
Ian Robson	336	–	15	134	341	826	679
Non-executive:							
Chris Cole	–	150	–	–	–	150	110
Michael Burrow	–	45	–	–	–	45	43
Bruce Edwards	–	40	–	–	–	40	40
Hugh Etheridge	–	55	–	–	–	55	55
Ian Sutcliffe	–	40	–	–	–	40	26
Former directors:							
Joe Phelan[iv]	–	–	–	–	–	–	485
Gary Iceton	–	–	–	–	–	–	16
	1,306	330	87	361	1,196	3,280	3,036
2011	1,320	290	62	286	1,078		3,036

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 Geoff Drabble and Ian Robson.

iii Geoff Drabble and Brendan Horgan participate in the Deferred Bonus Plan (DBP) under which 50% of the total bonus earned by Geoff Drabble and 67% earned by Brendan Horgan was paid in cash as shown in the table and the balance was compulsorily deferred into share equivalents as part of the DBP. The total bonus earned by Geoff Drabble was £948,480 and by Brendan Horgan was £423,700.

iv In accordance with the terms and conditions of his service contract and the Company having received an executed severance and release agreement and conditional on his observing the non-compete and non-solicit provisions in his service contract, Joe Phelan was paid his base salary, allowance in lieu of pension contributions and certain benefits for a period of 12 months from the termination of his employment in January 2011. Accordingly, although provided in the 2010/11 financial statements, he was paid £275,000 in salary and pension contributions and received benefits with a value of £2,000 in the year ended 30 April 2012. In accordance with the rules of the plan, he remains a participant in the Performance Share Plan in respect of previous awards on a pro-rata basis up to his date of departure.

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:

	2012 £'000	2011 £'000
Salaries and short-term employee benefits	**3,280**	3,036
Post-employment benefits	**51**	95
National insurance and social security	**377**	293
Share-based payments	**749**	552
	4,457	3,976

Directors' remuneration report

Directors' pension benefits

	Age at 30 April 2012 Years	Accrued pensionable service at 30 April 2012 Years	Contributions paid by the director £'000	Accrued annual pension at 30 April 2012 £'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 2012 £'000	Transfer value of accrued pension at 30 April 2011 £'000	Increase in transfer value over the year £'000
Sat Dhaiwal	43	18	17	66	4	4	491	416	59
Ian Robson	53	11	–	118	–	6	3,096	1,820	1,276

Notes:
(1) The transfer value has been calculated in accordance with regulation 7 to 7E of the Occupational Pension Schemes (transfer values) Regulations 1996 (b). The transfer value basis used is that in force at 30 April 2011 and at 30 April 2012 for the calculations as at 30 April 2011 and 30 April 2012 respectively, for the Ashtead Group plc Retirement Benefits Plan.
(2) The increase in transfer value in the year is stated net of the members' contributions.

The increase in the transfer value for Ian Robson reflects his decision to exercise his right to retire in July 2012, such that his pension will become payable from the age of 55 rather than his contracted normal retirement date of age 60.

At 30 April 2012, the total amount available to Brendan Horgan but deferred under the Sunbelt deferred compensation plan was $203,037 or £125,092. This includes an allocated negative investment return of $17,970 or £11,280 (2011: gain of £4,667).

Directors' interests in shares

The directors of the Company are shown below together with their beneficial interests in the share capital of the Company.

	30 April 2012 Number of ordinary shares of 10p each	30 April 2011 Number of ordinary shares of 10p each
Michael Burrow	**100,000**	100,000
Chris Cole	**102,082**	102,082
Sat Dhaiwal	**458,076**	365,849
Geoff Drabble	**698,099**	361,357
Bruce Edwards	**40,000**	40,000
Hugh Etheridge	**20,000**	20,000
Brendan Horgan	**310,775**	221,528
Ian Robson	**1,714,325**	1,552,033
Ian Sutcliffe	**13,822**	–

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

The market price of the Company's shares at the end of the financial year was 249p and the highest and lowest closing prices during the financial year were 271p and 99p respectively.

Directors' interests in long-term incentive schemes

Performance Share Plan awards

Awards held by executive directors under the PSP are shown in the table below:

	Year of grant	Held at 30 April 2011	Exercised during the year	Granted/(lapsed) during the year	Held at 30 April 2012
Sat Dhaiwal	2008/9	384,279	(192,140)	(192,139)	–
	2009/10	405,530	–	–	405,530
	2010/11	223,350	–	–	223,350
	2011/12	–	–	130,641	130,641
Geoff Drabble	2008/9	1,194,760	(597,380)	(597,380)	–
	2009/10	1,260,829	–	–	1,260,829
	2010/11	694,416	–	–	694,416
	2011/12	–	–	406,176	406,176
Brendan Horgan	2008/9	290,000	(145,000)	(145,000)	–
	2009/10	297,259	–	–	297,259
	2010/11	171,017	–	–	171,017
	2011/12	–	–	163,049	163,049
Ian Robson	2008/9	572,052	(286,026)	(286,026)	–
	2009/10	603,687	–	–	603,687
	2010/11	332,487	–	–	332,487

The performance conditions attaching to the Performance Share Plan referred to above are detailed on pages 41 and 42.

Details of PSP awards exercised by the executive directors in the year are as follows:

	Number exercised	Exercise date	Market price at date of exercise	Gain £'000
Sat Dhaiwal	192,140	19 October 2011	159.8p	307
Geoff Drabble	597,380	19 October 2011	159.8p	954
Brendan Horgan	145,000	19 October 2011	159.8p	231
Ian Robson	286,026	19 October 2011	159.8p	457

Following the vesting on 14 October 2011 of the 2008 PSP awards, on 19 October the executive directors sold sufficient shares to meet their tax liability in respect of the vesting and the balance of the shares were retained. The details are as follows:

	Shares retained	Shares sold	Sale price per share
Sat Dhaiwal	92,227	99,913	159.8p
Geoff Drabble	286,742	310,638	159.8p
Brendan Horgan	89,247	55,753	159.8p
Ian Robson	137,292	148,734	159.8p

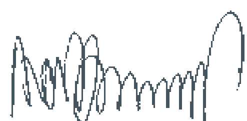
Deferred Bonus Plan

Under the terms of the Deferred Bonus Plan, the deferred bonus for the year was converted into share equivalent awards based on the closing share price on 20 June 2012. The share equivalent awards are summarised below:

	Number of share equivalent awards			
	Brought forward	Granted	Carried forward	Share price on grant (p)
Geoff Drabble	–	189,393	189,393	250.4
Brendan Horgan	–	57,183	57,183	250.4

During the three-year plan period, the brought forward number of share equivalent awards will be adjusted to the extent that there is either an additional grant or forfeiture and, of the resulting balance at the end of the year, either half in the case of Geoff Drabble or two-thirds in the case of Brendan Horgan will be released to the executive. At the end of the plan period, the remaining balance after any forteiture will be released to the executive.

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



Michael Burrow
Chairman, Remuneration Committee
20 June 2012

Independent auditor's report to the members of Ashtead Group plc

We have audited the financial statements of Ashtead Group plc for the year ended 30 April 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 April 2012 and of the Group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Corporate Governance Report in relation to going concern;
- the part of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Ian Waller (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
20 June 2012

Our financial statements 2012

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Consolidated income statement

for the year ended 30 April 2012

	Notes	2012 Before amortisation and remeasurements £m	2012 Amortisation and remeasurements £m	2012 Total £m	2011 Before exceptionals, amortisation and remeasurements £m	2011 Exceptionals, amortisation and remeasurements £m	2011 Total £m
Revenue							
Rental revenue		**1,005.9**		**1,005.9**	846.5	–	846.5
Sale of new equipment, merchandise and consumables		**44.7**	**–**	**44.7**	41.4	–	41.4
Sale of used rental equipment		**84.0**	**–**	**84.0**	60.6	–	60.6
		1,134.6	**–**	**1,134.6**	948.5	–	948.5
Operating costs							
Staff costs	3	**(334.0)**	**–**	**(334.0)**	(291.0)	–	(291.0)
Used rental equipment sold	3	**(74.6)**	**–**	**(74.6)**	(55.0)	–	(55.0)
Other operating costs	3	**(344.9)**	**–**	**(344.9)**	(318.7)	–	(318.7)
		(753.5)	**–**	**(753.5)**	(664.7)	–	(664.7)
EBITDA*		**381.1**	**–**	**381.1**	283.8	–	283.8
Depreciation	3	**(199.8)**	**–**	**(199.8)**	(185.0)	–	(185.0)
Amortisation	3	**–**	**(3.1)**	**(3.1)**	–	(1.7)	(1.7)
Operating profit	2, 3	**181.3**	**(3.1)**	**178.2**	98.8	(1.7)	97.1
Investment income	5	**4.2**	**7.3**	**11.5**	3.7	–	3.7
Interest expense	5	**(54.9)**	**–**	**(54.9)**	(71.5)	(27.6)	(99.1)
Profit on ordinary activities before taxation		**130.6**	**4.2**	**134.8**	31.0	(29.3)	1.7
Taxation							
– current	6	**(7.7)**	**–**	**(7.7)**	(6.0)	2.9	(3.1)
– deferred	6, 18	**(36.7)**	**(1.9)**	**(38.6)**	(4.9)	7.2	2.3
		(44.4)	**(1.9)**	**(46.3)**	(10.9)	10.1	(0.8)
Profit attributable to equity holders of the Company		**86.2**	**2.3**	**88.5**	20.1	(19.2)	0.9
Basic earnings per share	8	**17.3p**	**0.5p**	**17.8p**	4.0p	(3.8p)	0.2p
Diluted earnings per share	8	**16.9p**	**0.4p**	**17.3p**	4.0p	(3.8p)	0.2p

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

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

Consolidated statement of comprehensive income

for the year ended 30 April 2012

	2012 £m	2011 £m
Profit attributable to equity holders of the Company for the financial year	**88.5**	0.9
Foreign currency translation differences	**4.5**	(17.5)
Actuarial (loss)/gain on defined benefit pension scheme	**(6.2)**	12.9
Tax on defined benefit pension scheme	**1.5**	(3.4)
Total comprehensive income for the year	**88.3**	(7.1)

Consolidated balance sheet

at 30 April 2012

	Notes	2012 £m	2011 £m
Current assets			
Inventories	9	**13.4**	11.5
Trade and other receivables	10	**178.0**	155.3
Current tax asset		**2.6**	2.3
Cash and cash equivalents	11	**23.4**	18.8
		217.4	187.9
Non-current assets			
Property, plant and equipment			
– rental equipment	12	**1,118.4**	914.5
– other assets	12	**145.0**	121.7
		1,263.4	1,036.2
Intangible assets – brand names and other acquired intangibles	13	**21.7**	12.3
Goodwill	13	**371.0**	354.9
Deferred tax asset	18	**–**	1.1
Defined benefit pension fund surplus	22	**3.4**	6.1
Other financial assets – derivatives		**7.2**	–
		1,666.7	1,410.6
Total assets		**1,884.1**	1,598.5
Current liabilities			
Trade and other payables	14	**265.6**	174.6
Current tax liability		**2.8**	2.4
Debt due within one year	15	**2.1**	1.7
Provisions	17	**11.3**	9.6
		281.8	188.3
Non–current liabilities			
Debt due after more than one year	15	**875.6**	792.8
Provisions	17	**21.7**	23.3
Deferred tax liabilities	18	**150.3**	112.7
		1,047.6	928.8
Total liabilities		**1,329.4**	1,117.1
Equity			
Share capital	19	**55.3**	55.3
Share premium account		**3.6**	3.6
Capital redemption reserve		**0.9**	0.9
Non-distributable reserve		**90.7**	90.7
Own shares held by the Company		**(33.1)**	(33.1)
Own shares held through the ESOT		**(6.2)**	(6.7)
Cumulative foreign exchange translation differences		**7.1**	2.6
Retained reserves		**436.4**	368.1
Equity attributable to equity holders of the Company		**554.7**	481.4
Total liabilities and equity		**1,884.1**	1,598.5

These financial statements were approved by the Board on 20 June 2012.

Geoff Drabble
Chief executive

Ian Robson
Finance director

Consolidated statement of changes in equity

for the year ended 30 April 2012

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non-distributable reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
At 1 May 2010	55.3	3.6	0.9	90.7	(33.1)	(6.3)	20.1	369.1	500.3
Profit for the year	–	–	–	–	–	–	–	0.9	0.9
Other comprehensive income:									
Foreign currency translation differences	–	–	–	–	–	–	(17.5)	–	(17.5)
Actuarial gain on defined benefit pension scheme	–	–	–	–	–	–	–	12.9	12.9
Tax on defined benefit pension scheme	–	–	–	–	–	–	–	(3.4)	(3.4)
Total comprehensive income for the year	–	–	–	–	–	–	(17.5)	10.4	(7.1)
Dividends paid	–	–	–	–	–	–	–	(14.6)	(14.6)
Own shares purchased by the ESOT	–	–	–	–	–	(0.4)	–	–	(0.4)
Share-based payments	–	–	–	–	–	–	–	1.6	1.6
Tax on share-based payments	–	–	–	–	–	–	–	1.6	1.6
At 30 April 2011	55.3	3.6	0.9	90.7	(33.1)	(6.7)	2.6	368.1	481.4
Profit for the year	–	–	–	–	–	–	–	88.5	88.5
Other comprehensive income:									
Foreign currency translation differences	–	–	–	–	–	–	4.5	–	4.5
Actuarial loss on defined benefit pension scheme	–	–	–	–	–	–	–	(6.2)	(6.2)
Tax on defined benefit pension scheme	–	–	–	–	–	–	–	1.5	1.5
Total comprehensive income for the year	–	–	–	–	–	–	4.5	83.8	88.3
Dividends paid	–	–	–	–	–	–	–	(15.3)	(15.3)
Own shares purchased by the ESOT	–	–	–	–	–	(3.5)	–	–	(3.5)
Share-based payments	–	–	–	–	–	4.0	–	(1.5)	2.5
Tax on share-based payments	–	–	–	–	–	–	–	1.3	1.3
At 30 April 2012	**55.3**	**3.6**	**0.9**	**90.7**	**(33.1)**	**(6.2)**	**7.1**	**436.4**	**554.7**

Consolidated cash flow statement

for the year ended 30 April 2012

	Notes	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated from operations before exceptional items and changes in rental equipment	24(a)	**364.6**	279.7
Exceptional operating costs paid		**(3.3)**	(5.5)
Payments for rental property, plant and equipment		**(357.8)**	(182.2)
Proceeds from disposal of rental property, plant and equipment		**83.4**	55.0
Cash generated from operations		**86.9**	147.0
Financing costs paid (net)		**(49.1)**	(66.7)
Exceptional financing costs paid		**–**	(6.5)
Tax paid (net)		**(7.4)**	(4.3)
Net cash from operating activities		**30.4**	69.5
Cash flows from investing activities			
Acquisition of businesses	24(d)	**(21.9)**	(34.8)
Payments for non-rental property, plant and equipment		**(48.2)**	(20.4)
Proceeds from disposal of non-rental property, plant and equipment		**6.8**	4.5
Payments for purchase of intangible assets		**(1.7)**	–
Net cash used in investing activities		**(65.0)**	(50.7)
Cash flows from financing activities			
Drawdown of loans		**153.8**	597.8
Redemption of loans		**(94.3)**	(634.5)
Capital element of finance lease payments		**(1.5)**	(3.0)
Purchase of own shares by the ESOT		**(3.5)**	(0.4)
Dividends paid		**(15.3)**	(14.6)
Net cash from/(used in) financing activities		**39.2**	(54.7)
Increase/(decrease) in cash and cash equivalents		**4.6**	(35.9)
Opening cash and cash equivalents		**18.8**	54.8
Effect of exchange rate differences		**–**	(0.1)
Closing cash and cash equivalents		**23.4**	18.8

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 with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Accordingly, the Group complies with all IFRS, including those adopted for use in the European Union. The financial statements have been prepared under the historical cost convention, modified for certain items carried at fair value, as stated in the accounting policies. A summary of the more important accounting policies is set out below.

The Group has adopted the 'Amendments to IFRS 7 Financial instruments: disclosures – transfers of financial assets' with effect from 1 May 2011. This amendment has no impact on the consolidated results or financial position of the Group.

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 24 and 25 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.

Foreign currency translation

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

	2012	2011
Average for year	**1.59**	1.56
Year end	**1.62**	1.67

Exchange differences arising from the retranslation of the opening net investment of overseas subsidiaries and the difference between the inclusion of their profits at average rates of exchange in the Group income statement and the closing rate used for the balance sheet are recognised directly in a separate component of equity. Other exchange differences are dealt with in the income statement.

Revenue

Revenue represents the total amount receivable for the provision of goods and services including the sale of used rental plant and equipment to customers net of returns and VAT/sales tax. Rental revenue, including loss damage waiver and environmental fees, is recognised on a straight-line basis over the period of the rental contract. Because a rental contract can extend across financial reporting period ends, the Group records unbilled rental revenue and deferred revenue at the beginning and end of each reporting period so that rental revenue is appropriately stated in the financial statements.

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

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

Revenue from sales of rental equipment in connection with trade-in arrangements with certain manufacturers from whom the Group purchases new equipment is accounted for at the lower of transaction value or fair value based on independent appraisals. If the trade-in price of a unit of equipment exceeds the fair market value of that unit, the excess is accounted for as a reduction of the cost of the related purchase of new rental equipment.

Current/non-current distinction

Current assets include assets held primarily for trading purposes, cash and cash equivalents and assets expected to be realised in, or intended for sale or consumption in, the course of the Group's operating cycle and those assets receivable within one year from the reporting date. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Property, plant and equipment

Owned assets

Property, plant and equipment is stated at cost (including transportation costs from the manufacturer to the initial rental location) less accumulated depreciation and any provisions for impairment. In respect of 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%
Motor vehicles	7% to 25%
Rental equipment	5% to 33%
Office and workshop equipment	20%

Residual values are estimated at 10-15% of cost in respect of most types of rental equipment, although the range of residual values used varies between zero and 30%.

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.

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

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

Other intangible assets

Other intangible assets acquired as part of a business combination are capitalised at fair value as at the date of acquisition. Internally generated intangible assets are not capitalised. Amortisation is charged on a straight-line basis over the expected useful life of each asset. Contract related intangible assets are amortised over the life of the contract. Amortisation rates for other intangible assets are as follows:

	Per annum
Brand names	7% to 15%
Customer lists	10% to 20%

Impairment of assets

Goodwill is not amortised but is tested annually for impairment as at 30 April each year. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows for the asset being tested for impairment (cash-generating unit). In the case of goodwill, the cash-generating units are considered to be the Group's two reporting units, Sunbelt and A-Plant.

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.

1 Accounting policies continued

Defined benefit pension plans

The Group's obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of plan assets is deducted. The discount rate used is the yield at the balance sheet date on AA-rated corporate bonds. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised in full in the period in which they arise through the statement of comprehensive income. The increase in the present value of plan liabilities arising from employee service during the period is charged to operating profit. 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 defined pension surplus or deficit represents the fair value of the plan assets less the present value of the defined benefit obligation. A surplus is recognised in the balance sheet to the extent that the Group has an unconditional right to the surplus, either through a refund or reduction in future contributions. A deficit is recognised in full.

Share-based compensation

The fair value of awards made under share-based compensation plans is measured at grant date and spread over the vesting period through the income statement with a corresponding increase in equity. The fair value of share options and awards is measured using an appropriate valuation model taking into account the terms and conditions of the individual award. The amount recognised as an expense is adjusted to reflect the actual awards vesting except where any change in the awards vesting relates only to market-based criteria not being achieved.

Insurance

Insurance costs include insurance premiums which are written off to the income statement over the period to which they relate and an estimate of the discounted liability for uninsured retained risks on unpaid claims incurred up to the balance sheet date. The estimate includes events incurred but not reported at the balance sheet date. This estimate is discounted and included in provisions in the balance sheet.

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 plans.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Trade receivables

Trade receivables do not carry interest and are stated at face value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with maturity of less than, or equal to, three months.

Financial liabilities and equity

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Trade payables

Trade payables are not interest bearing and are stated at face value.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct transaction costs. Finance charges, including amortisation of direct transaction costs, are charged to the income statement using the effective interest rate method.

Tranches of borrowings and overdrafts which mature on a regular basis are classified as current or non-current liabilities based on the maturity of the facility so long as the committed facility exceeds the drawn debt.

Derivative financial instruments

The Group may use 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.

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, net of direct transaction costs. The difference between the proceeds of the note issue and the fair value assigned to the liability component, representing the embedded option to prepay the notes is included within 'Other financial assets – derivatives'. The interest expense on the liability component is calculated by applying the effective interest rate method. The embedded option to prepay is fair valued using an appropriate valuation model and fair value remeasurement gains and losses are included in investment income and interest expense respectively.

Exceptional items

Exceptional items are those items that are 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 or by the Employee Share Ownership Trust in respect of which dividends have been waived. Diluted earnings per share is calculated using the profit for the financial year and the weighted average diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive) during the year.

Underlying earnings per share comprises basic earnings per share adjusted to exclude earnings relating to exceptional items, 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 ('ESOT') in the open market for use in connection with employee share plans are presented as a deduction from shareholders' funds. When the shares vest to satisfy share-based payments, a transfer is made from own shares held through the ESOT to retained earnings.

Own shares held by the Company
The cost of own shares held by the Company is deducted from shareholders' funds. The proceeds from the reissue of own shares are added to shareholders' funds with any gains in excess of the average cost of the shares being recognised in the share premium account.

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, the Group is split into two business units, Sunbelt and A-Plant which report separately to, and are managed by, the chief executive and align with the geographies in which they operate, being the US and UK, respectively. These business units are the basis on which the Group reports its segment information. The Group manages debt and taxation centrally, rather than by business unit. Accordingly, segmental results are stated before interest and taxation which are reported as central Group items. This is consistent with the way the chief executive reviews the business.

Year ended 30 April 2012	Sunbelt £m	A-Plant £m	Corporate items £m	Group £m
Revenue	945.7	188.9	–	1,134.6
Operating costs	(606.3)	(139.4)	(7.8)	(753.5)
EBITDA	339.4	49.5	(7.8)	381.1
Depreciation	(157.5)	(42.2)	(0.1)	(199.8)
Segment result before amortisation	181.9	7.3	(7.9)	181.3
Amortisation	(1.4)	(1.7)	–	(3.1)
Segment result	180.5	5.6	(7.9)	178.2
Net financing costs				(43.4)
Profit before taxation				134.8
Taxation				(46.3)
Profit attributable to equity shareholders				88.5
Segment assets	1,549.4	301.4	0.1	1,850.9
Cash				23.4
Other financial assets – derivatives				7.2
Taxation assets				2.6
Total assets				1,884.1
Segment liabilities	243.1	44.9	4.0	292.0
Corporate borrowings and accrued interest				884.3
Taxation liabilities				153.1
Total liabilities				1,329.4
Other non-cash expenditure – share-based payments	1.3	0.5	0.7	2.5
Capital expenditure	425.8	72.9	–	498.7

2 Segmental analysis continued

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.

Year ended 30 April 2011	Sunbelt £m	A-Plant £m	Corporate items £m	Group £m
Revenue	782.7	165.8	–	948.5
Operating costs	(534.6)	(122.7)	(7.4)	(664.7)
EBITDA	248.1	43.1	(7.4)	283.8
Depreciation	(144.5)	(40.4)	(0.1)	(185.0)
Segment result before amortisation	103.6	2.7	(7.5)	98.8
Amortisation	(0.8)	(0.9)	–	(1.7)
Segment result	102.8	1.8	(7.5)	97.1
Net financing costs				(95.4)
Profit before taxation				1.7
Taxation				(0.8)
Profit attributable to equity shareholders				0.9
Segment assets	1,284.4	291.8	0.1	1,576.3
Cash				18.8
Taxation assets				3.4
Total assets				1,598.5
Segment liabilities	151.5	45.4	3.3	200.2
Corporate borrowings and accrued interest				801.8
Taxation liabilities				115.1
Total liabilities				1,117.1
Other non-cash expenditure – share-based payments	0.8	0.3	0.5	1.6
Capital expenditure	218.0	41.7	–	259.7

Segmental analysis by geography

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

	Revenue		Segment assets		Capital expenditure	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
North America	**945.7**	782.7	**1,398.6**	1,156.9	**425.8**	218.0
United Kingdom	**188.9**	165.8	**260.9**	252.6	**72.9**	41.7
	1,134.6	948.5	**1,659.5**	1,409.5	**498.7**	259.7

3 Operating costs and other income

	2012			2011		
	Before amortisation £m	**Amortisation £m**	**Total £m**	Before amortisation £m	Amortisation £m	Total £m
Staff costs:						
Salaries, bonuses and commissions	**304.0**	**–**	**304.0**	266.1	–	266.1
Social security costs	**24.1**	**–**	**24.1**	22.6	–	22.6
Other pension costs	**5.9**	**–**	**5.9**	2.3	–	2.3
	334.0	**–**	**334.0**	291.0	–	291.0
Used rental equipment sold	**74.6**	**–**	**74.6**	55.0	–	55.0
Other operating costs:						
Vehicle costs	**84.2**	**–**	**84.2**	75.6	–	75.6
Spares, consumables and external repairs	**62.8**	**–**	**62.8**	58.8	–	58.8
Facility costs	**47.0**	**–**	**47.0**	45.4	–	45.4
Other external charges	**150.9**	**–**	**150.9**	138.9	–	138.9
	344.9	**–**	**344.9**	318.7	–	318.7
Depreciation and amortisation:						
Depreciation of owned assets	**198.8**	**–**	**198.8**	184.0	–	184.0
Depreciation of leased assets	**1.0**	**–**	**1.0**	1.0	–	1.0
Amortisation of acquired intangibles	**–**	**3.1**	**3.1**	–	1.7	1.7
	199.8	**3.1**	**202.9**	185.0	1.7	186.7
	953.3	**3.1**	**956.4**	849.7	1.7	851.4

Proceeds from the disposal of non-rental property, plant and equipment amounted to £6.8m (2011: £4.5m).

The costs shown in the above table include:

	2012 £m	2011 £m
Operating lease rentals payable:		
Plant and equipment	**1.3**	1.7
Property	**35.2**	34.4
Cost of inventories recognised as expense	**117.8**	94.0
Bad debt expense	**8.1**	7.1
Net foreign exchange gains	**–**	(0.1)

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

	2012 £'000	2011 £'000
Fees payable to Deloitte UK and its associates for the audit of the Group's annual accounts	**585**	575
Fees payable to Deloitte UK and its associates for other services to the Group:		
– the audit of the Group's UK subsidiaries pursuant to legislation	**13**	13
– audit-related assurance services	**78**	73
– tax advisory services	**215**	152
	891	813

Fees paid for audit-related assurance services relate to the half-year and quarterly reviews of the Group's interim financial statements. Fees for tax advisory services relate primarily to assistance in connection with the discussion with the IRS regarding its proposed adjustments to the Group's US tax returns for the four years ended 30 April 2009.

4 Exceptional items, amortisation and fair value remeasurements

	2012 £m	2011 £m
Write-off of deferred financing costs	**–**	15.4
Early redemption fee	**–**	6.5
Fair value remeasurements	**(7.3)**	5.7
Amortisation of acquired intangibles	**3.1**	1.7
	(4.2)	29.3
Taxation	**1.9**	(10.1)
	(2.3)	19.2

Fair value remeasurements relate to the changes in fair value of the embedded call options in our senior secured note issue.

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

	2012 £m	2011 £m
Amortisation	**3.1**	1.7
Charged in arriving at operating profit	**3.1**	1.7
Investment income	**(7.3)**	–
Interest expense	**–**	27.6
Charged in arriving at profit before tax	**(4.2)**	29.3
Taxation	**1.9**	(10.1)
	(2.3)	19.2

5 Net financing costs

	2012 £m	2011 £m
Investment income		
Expected return on assets of defined benefit pension plan	**(4.2)**	(3.7)
Interest expense		
Bank interest payable	**16.9**	15.7
Interest payable on second priority senior secured notes	**31.1**	45.3
Interest payable on finance leases	**0.2**	0.2
Non-cash unwind of discount on defined benefit pension plan liabilities	**3.0**	3.5
Non-cash unwind of discount on self-insurance provisions	**1.3**	1.4
Amortisation of deferred costs of debt raising	**2.4**	5.4
Total interest expense	**54.9**	71.5
Net financing costs before exceptional items and remeasurements	**50.7**	67.8
Exceptional items	**–**	21.9
Fair value remeasurements	**(7.3)**	5.7
Net financing costs	**43.4**	95.4

6 Taxation

	2012 £m	2011 £m
Analysis of tax charge		
Current tax		
– current tax on income for the year	**8.1**	4.4
– adjustments to prior years	**(0.4)**	(1.3)
	7.7	3.1
Deferred tax		
– origination and reversal of temporary differences	**39.6**	(4.4)
– adjustments to prior years	**(1.0)**	2.1
	38.6	(2.3)
Total taxation charge	**46.3**	0.8
Comprising:		
– UK tax	**9.6**	7.8
– US tax	**36.7**	(7.0)
	46.3	0.8

The tax charge comprises a charge of £44.4m (2011: £10.9m) relating to tax on the profit before exceptional items, amortisation and fair value remeasurements, together with a charge of £1.9m (2011: credit of £10.1m) on exceptional items, amortisation and fair value remeasurements.

The tax charge for the period is higher than the standard rate of corporation tax in the UK of 26% for the year. The differences are explained below:

	2012 £m	2011 £m
Profit on ordinary activities before tax	**134.8**	1.7
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 25.8% (2011: 27.8%)	**34.8**	0.5
Effects of:		
Use of foreign tax rates on overseas income	**12.3**	(2.3)
Other	**0.6**	1.8
Adjustments to prior years	**(1.4)**	0.8
Total taxation charge	**46.3**	0.8

7 Dividends

	2012 £m	2011 £m
Final dividend paid on 9 September 2011 of 2.07p (2011: 2.0p) per 10p ordinary share	**10.3**	10.0
Interim dividend paid on 8 February 2012 of 1.0p (2011: 0.93p) per 10p ordinary share	**5.0**	4.6
	15.3	14.6

In addition, the directors are proposing a final dividend in respect of the financial year ended 30 April 2012 of 2.5p per share which will absorb £12.5m of shareholders' funds based on the 498.8m shares ranking for dividend at 20 June 2012. Subject to approval by shareholders, it will be paid on 7 September 2012 to shareholders who are on the register of members on 17 August 2012.

8 Earnings per share

	2012			2011		
	Earnings £m	**Weighted average no. of shares million**	**Per share amount pence**	Earnings £m	Weighted average no. of shares million	Per share amount pence
Basic earnings per share	**88.5**	**498.3**	**17.8**	0.9	497.7	0.2
Share options and share plan awards	**–**	**12.9**	**(0.5)**	–	6.5	–
Diluted earnings per share	**88.5**	**511.2**	**17.3**	0.9	504.2	0.2

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

	2012 pence	2011 pence
Total Group		
Basic earnings per share	**17.8**	0.2
Exceptional items, amortisation of acquired intangibles and fair value remeasurements	**(0.9)**	5.9
Tax on exceptionals, amortisation and remeasurements	**0.4**	(2.1)
Underlying earnings per share	**17.3**	4.0
Other deferred tax	**7.4**	1.0
Cash tax earnings per share	**24.7**	5.0

9 Inventories

	2012 £m	2011 £m
Raw materials, consumables and spares	**7.2**	6.8
Goods for resale	**6.2**	4.7
	13.4	11.5

10 Trade and other receivables

	2012 £m	2011 £m
Trade receivables	**162.6**	145.9
Less: allowance for bad and doubtful receivables	**(13.8)**	(13.7)
	148.8	132.2
Other receivables	**29.2**	23.1
	178.0	155.3

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 23. 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 for bad and doubtful receivables is calculated based on prior experience reflecting the level of uncollected receivables over the last year within each business. Accordingly, this cannot be attributed to specific receivables so the aged analysis of trade receivables, including those past due, is shown gross of the allowance for bad and doubtful receivables.

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

		Trade receivables past due by:				
	Current £m	Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	Total £m
Carrying value at 30 April 2012	20.7	79.7	35.5	11.5	15.2	162.6
Carrying value at 30 April 2011	19.6	68.5	33.5	10.3	14.0	145.9

In practice, Sunbelt operates on 30-day terms and considers receivables past due if they are unpaid after 30 days. On this basis, the Group's ageing of trade receivables, including those past due, is as follows:

		Trade receivables past due by:				
	Current £m	Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	Total £m
Carrying value at 30 April 2012	88.4	44.0	13.4	5.6	11.2	162.6
Carrying value at 30 April 2011	75.3	43.0	11.6	5.5	10.5	145.9

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

	2012 £m	2011 £m
At 1 May	**13.7**	15.6
Amounts written off and recovered during the year	**(8.2)**	(8.2)
Increase in allowance recognised in income statement	**8.1**	7.1
Currency movements	**0.2**	(0.8)
At 30 April	**13.8**	13.7

11 Cash and cash equivalents

	2012 £m	2011 £m
Cash and cash equivalents	**23.4**	18.8

Cash and cash equivalents comprise principally cash held by the Group with a major UK financial institution. The carrying amount of cash and cash equivalents approximates their fair value.

12 Property, plant and equipment

	Land and buildings £m	Rental equipment: Owned £m	Rental equipment: Held under finance leases £m	Office and workshop equipment £m	Motor vehicles: Owned £m	Motor vehicles: Held under finance leases £m	Total £m
Cost or valuation							
At 1 May 2010	84.6	1,701.1	0.2	45.0	126.7	9.4	1,967.0
Exchange differences	(4.1)	(113.4)	–	(2.9)	(8.6)	(0.5)	(129.5)
Acquisitions	0.2	11.7	–	0.1	0.1	–	12.1
Reclassifications	–	(1.0)	(0.2)	1.2	5.7	(5.7)	–
Additions	3.3	202.4	–	2.7	13.8	2.6	224.8
Disposals	(3.0)	(179.2)	–	(2.3)	(11.6)	(1.6)	(197.7)
At 30 April 2011	81.0	1,621.6	–	43.8	126.1	4.2	1,876.7
Exchange differences	1.2	35.0	–	0.9	2.8	–	39.9
Acquisitions	0.2	2.1	–	0.1	0.4	–	2.8
Reclassifications	–	(1.3)	–	1.5	–	(0.2)	–
Additions	3.4	426.2	–	4.4	40.2	2.2	476.4
Disposals	(0.6)	(229.5)	–	(2.8)	(23.8)	(1.3)	(258.0)
At 30 April 2012	**85.2**	**1,854.1**	**–**	**47.9**	**145.7**	**4.9**	**2,137.8**
Depreciation							
At 1 May 2010	28.9	731.5	0.1	38.6	60.6	5.7	865.4
Exchange differences	(1.5)	(57.5)	–	(2.6)	(5.0)	(0.4)	(67.0)
Reclassifications	–	(0.6)	(0.1)	0.7	3.9	(3.9)	–
Charge for the period	3.7	162.0	–	3.0	15.3	1.0	185.0
Disposals	(2.2)	(128.3)	–	(2.2)	(9.0)	(1.2)	(142.9)
At 30 April 2011	28.9	707.1	–	37.5	65.8	1.2	840.5
Exchange differences	0.4	12.6	–	0.8	1.1	–	14.9
Reclassifications	–	(0.7)	–	0.9	–	(0.2)	–
Charge for the period	3.6	174.9	–	3.1	17.2	1.0	199.8
Disposals	(0.5)	(158.2)	–	(2.7)	(18.6)	(0.8)	(180.8)
At 30 April 2012	**32.4**	**735.7**	**–**	**39.6**	**65.5**	**1.2**	**874.4**
Net book value							
At 30 April 2012	**52.8**	**1,118.4**	**–**	**8.3**	**80.2**	**3.7**	**1,263.4**
At 30 April 2011	52.1	914.5	–	6.3	60.3	3.0	1,036.2

No rebuild costs were capitalised in the year (2011: £nil).

13 Intangible assets including goodwill

	Goodwill £m	Other intangible assets: Brand names £m	Customer lists £m	Contract related £m	Total £m	Total £m
Cost or valuation						
At 1 May 2010	373.6	13.3	1.7	10.6	25.6	399.2
Recognised on acquisition	11.7	1.2	4.6	5.3	11.1	22.8
Exchange differences	(30.4)	(1.1)	(0.3)	(0.8)	(2.2)	(32.6)
At 30 April 2011	354.9	13.4	6.0	15.1	34.5	389.4
Recognised on acquisition	7.0	1.6	6.8	2.4	10.8	17.8
Additions	–	–	–	1.7	1.7	1.7
Exchange differences	9.1	0.3	–	0.2	0.5	9.6
At 30 April 2012	**371.0**	**15.3**	**12.8**	**19.4**	**47.5**	**418.5**
Amortisation						
At 1 May 2010	–	12.3	0.8	9.2	22.3	22.3
Charge for the period	–	0.2	0.4	1.1	1.7	1.7
Exchange differences	–	(1.0)	–	(0.8)	(1.8)	(1.8)
At 30 April 2011	–	11.5	1.2	9.5	22.2	22.2
Charge for the period	–	0.3	0.9	1.9	3.1	3.1
Exchange differences	–	0.3	–	0.2	0.5	0.5
At 30 April 2012	**–**	**12.1**	**2.1**	**11.6**	**25.8**	**25.8**
Net book value						
At 30 April 2012	**371.0**	**3.2**	**10.7**	**7.8**	**21.7**	**392.7**
At 30 April 2011	354.9	1.9	4.8	5.6	12.3	367.2

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

	2012 £m	2011 £m
Sunbelt	**356.7**	340.6
A-Plant	**14.3**	14.3
	371.0	354.9

For the purposes of determining potential goodwill impairment, recoverable amounts are determined from value in use calculations using cash flow projections based on financial plans covering a three-year period which were adopted and approved by the Board in April 2012. The growth rate assumptions used in the plans reflect management's expectations of market developments and take account of past performance. The valuation uses an annual growth rate to determine the cash flows beyond the three-year period of 2%, which does not exceed the average long-term growth rates for the relevant markets, and a terminal value reflective of market multiples. The pre-tax rate used to discount the projected cash flows is 9.5% (2011: 9.5%).

The impairment review is sensitive to a change in key assumptions used, most notably the discount rate and the annuity growth rates. A sensitivity analysis has been undertaken by changing the key assumptions used for both Sunbelt and A-Plant. Based on this sensitivity analysis, no reasonably possible change in the assumptions resulted in the carrying value of the goodwill in Sunbelt being reduced to the recoverable amount. A-Plant has headroom of £4m at the reporting date. An increase in the discount rate of 9.5% by 0.2% or a decrease in the annuity growth rate of 2% by 0.3% would eradicate the headroom.

14 Trade and other payables

	2012 £m	2011 £m
Trade payables	**119.6**	81.1
Other taxes and social security	**15.0**	13.0
Accruals and deferred income	**131.0**	80.5
	265.6	174.6

Trade and other payables include amounts relating to the purchase of fixed assets of £133.1m (2011: £57.7m). The fair values of trade and other payables are not materially different from the carrying values presented.

15 Borrowings

	2012 £m	2011 £m
Current		
Finance lease obligations	**2.1**	1.7
Non-current		
First priority senior secured bank debt	**539.9**	467.1
Finance lease obligations	**1.7**	1.3
9% second priority senior secured notes, due 2016	**334.0**	324.4
	875.6	792.8

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

First priority senior secured credit facility

At 30 April 2012, $1.4bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility') until March 2016 while the amount utilised was $918m (including letters of credit totalling $25m). Since the year end the Company has obtained additional commitments from its lenders which have increased the size of the ABL facility by $400m to $1.8bn, with no other changes to its terms or to the March 2016 maturity. The ABL facility is secured by a first priority interest in substantially all of the Group's assets. Pricing for the revolving credit facility is based on the ratio of funded debt to EBITDA before exceptional items according to a grid which varies, depending on leverage, from LIBOR plus 200bp to LIBOR plus 250bp. At 30 April 2012 the Group's borrowing rate was LIBOR plus 225bp.

The ABL facility includes a springing covenant package under which quarterly financial performance covenants are tested only if available liquidity is less than 12% of the facility size ($216m following the recent increase in the facility size to $1.8bn discussed above). Available liquidity at 30 April 2012 (pro-forma for the subsequent revision in facility size) was £453m ($735m) reflecting drawings under the facility at that date together with outstanding letters of credit of £15m ($25m), which meant that covenants were not measured at 30 April 2012 and are unlikely to be measured in forthcoming quarters. 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 that could be drawn under the enlarged facility at 30 April 2012 was £997m ($1.6bn).

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.

Under the terms of the 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. Financial performance covenants under the 9% senior secured note issue are only measured at the time new debt is raised.

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

		2012	2011
First priority senior secured bank debt	– revolving advances in dollars	**2.5%**	2.8%
Secured notes	– $550m nominal value	**9.0%**	9.0%
Finance leases		**7.4%**	7.8%

16 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Amounts payable under finance leases:				
Less than one year	**2.3**	1.8	**2.1**	1.6
Later than one year but not more than five	**1.9**	1.5	**1.7**	1.4
	4.2	3.3	**3.8**	3.0
Future finance charges	**(0.4)**	(0.3)		
	3.8	3.0		

The Group's obligations under finance leases are secured by the lessor's rights over the leased assets disclosed in note 12.

17 Provisions

	Self-insurance £m	Vacant property £m	Total £m
At 1 May 2011	18.8	14.1	32.9
Exchange differences	0.5	0.2	0.7
Utilised	(15.0)	(3.7)	(18.7)
Charged in the year	13.7	3.1	16.8
Amortisation of discount	1.3	–	1.3
At 30 April 2012	**19.3**	**13.7**	**33.0**

	2012 £m	2011 £m
Included in current liabilities	**11.3**	9.6
Included in non-current liabilities	**21.7**	23.3
	33.0	32.9

Self-insurance provisions relate to the discounted estimated liability in respect of claims excesses to be incurred under the Group's insurance programmes for events occurring up to the year end and are expected to be utilised over a period of approximately eight years. The provision is established based on advice received from independent actuaries of the estimated total cost of the self-insured retained risk based on historical claims experience. The amount charged in the year is stated net of a £2.5m adjustment to reduce the provision held at 1 May 2011.

The majority of the provision for vacant property costs is expected to be utilised over a period of up to three years.

18 Deferred tax

Deferred tax assets

	Tax losses £m	Other temporary differences £m	Total £m
At 1 May 2011	–	1.1	1.1
Offset against deferred tax liability at 1 May 2011	94.2	29.5	123.7
Gross deferred tax assets at 1 May 2011	94.2	30.6	124.8
Exchange differences	1.8	0.7	2.5
Credit to income statement	35.5	4.5	40.0
Credit to equity	–	2.4	2.4
Less offset against deferred tax liability	(131.5)	(38.2)	(169.7)
At 30 April 2012	**–**	**–**	**–**

Deferred tax liabilities

	Accelerated tax depreciation £m
Net deferred tax liability at 1 May 2011	112.7
Deferred tax assets offset at 1 May 2011	123.7
Gross deferred tax liability at 1 May 2011	236.4
Exchange differences	5.0
Charge to income statement	78.6
	320.0
Less offset of deferred tax assets	
– benefit of tax losses	(131.5)
– other temporary differences	(38.2)
At 30 April 2012	**150.3**

The Group has an unrecognised UK deferred tax asset of £1.4m (2011: £1.5m) in respect of losses in a non-trading UK company, as it is not considered probable this deferred tax asset will be utilised.

At the balance sheet date, no temporary differences associated with undistributed earnings of subsidiaries are considered to exist as UK tax legislation largely exempts overseas dividends received from UK tax.

19 Called up share capital

	2012 Number	2011 Number	**2012 £m**	2011 £m
Ordinary shares of 10p each				
Authorised	**900,000,000**	900,000,000	**90.0**	90.0
Issued and fully paid:				
At 1 May and 30 April	**553,325,554**	553,325,554	**55.3**	55.3

There were no movements in shares authorised or allotted during the period. At 30 April 2012, 50m shares were held by the Company, acquired at an average cost of 67p and a further 4.6m shares were held by the Company's Employee Share Ownership Trust.

20 Share-based payments

The Employee Share Ownership Trust ('ESOT') facilitates the provision of shares under certain of the Group's share-based remuneration plans. It holds a beneficial interest in 4,582,462 ordinary shares of the Company acquired at an average cost of 135.9p per share. The shares had a market value of £11.4m at 30 April 2012. The ESOT has waived the right to receive dividends on the shares it holds. The costs of operating the ESOT are borne by the Group but are not significant.

Outstanding options under discretionary share option plans were all exercised during the year and the schemes are now closed.

Details of the Performance Share Plan ('PSP') are given on pages 41 and 42. 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 2012, there was a net charge to pre-tax profit in respect of the PSP of £2.5m (2011: £1.6m). After deferred tax, the total charge was £2.0m (2011: £1.0m).

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 165p, nil exercise price, a dividend yield of 1.82%, volatility of 59.3%, a risk-free rate of 0.94% 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		
	Number	Weighted average exercise price (p)	PSP Number
2010/11			
Outstanding at 1 May 2010	1,370,274	103.3	14,850,296
Granted	–	–	4,957,703
Exercised	(1,164,668)	110.6	–
Expired	(77,506)	101.2	(3,454,574)
Outstanding at 30 April 2011	128,100	38.3	16,353,425
Exercisable at 30 April 2011	128,100	38.3	–
2011/12			
Outstanding at 1 May 2011	128,100	38.3	16,353,425
Granted	–	–	2,455,222
Exercised	(128,100)	38.3	(3,019,921)
Expired	–	–	(3,525,990)
Outstanding at 30 April 2012	–	–	12,262,736
Exercisable at 30 April 2012	–	–	–

21 Operating leases

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

	2012 £m	2011 £m
Land and buildings:		
Expiring in one year	**3.2**	2.1
Expiring between two and five years	**17.9**	16.9
Expiring in more than five years	**12.1**	14.0
	33.2	33.0
Other:		
Expiring in one year	**0.3**	0.8
Expiring between two and five years	**–**	0.1
	0.3	0.9
Total	**33.5**	33.9

21 Operating leases continued

Total minimum commitments under existing operating leases at 30 April 2012 through to the earliest date at which the lease may be exited without penalty by year are as follows:

	Land and buildings £m	Other £m	Total £m
Financial year			
2013	33.2	0.3	33.5
2014	27.7	–	27.7
2015	23.0	–	23.0
2016	17.8	–	17.8
2017	14.6	–	14.6
Thereafter	51.0	–	51.0
	167.3	0.3	167.6

£10.1m of the total minimum operating lease commitments of £167.3m relating to vacant properties has been provided within the financial statements and included within provisions in the balance sheet.

22 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 £5.1m (2011: £1.6m).

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 2010 and updated to 30 April 2012 by a qualified independent actuary. The actuary is engaged by the Company to perform a valuation in accordance with IAS 19. The principal assumptions made by the actuary were as follows:

	2012	2011
Rate of increase in salaries	**4.2%**	4.4%
Rate of increase in pensions in payment	**3.1%**	3.2%
Discount rate	**4.8%**	5.3%
Inflation assumption – RPI	**3.2%**	3.4%
– CPI	**2.2%**	2.7%
Weighted average expected return on plan assets	**6.3%**	6.5%

Pensioner life expectancy assumed in the 30 April 2012 update is based on the 'S1PxA CMI 2011' projection model mortality tables adjusted so as to apply a minimum annual rate of improvement of 1.0% a year. Samples of the ages to which pensioners are assumed to live are as follows:

	Male	Female
Pensioner aged 65 in 2012	87.0	89.2
Pensioner aged 65 in 2032	88.3	90.8

The amounts recognised in the income statement are as follows:

	2012 £m	2011 £m
Current service cost	**0.5**	0.6
Interest cost	**3.0**	3.5
Expected return on plan assets	**(4.2)**	(3.7)
Total cost	**(0.7)**	0.4

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

	2012 £m	2011 £m
Fair value of plan assets	**67.1**	63.6
Present value of funded defined benefit obligation	**(63.5)**	(57.5)
Present value of unfunded defined benefit obligation	**(0.2)**	–
Net asset recognised in the balance sheet	**3.4**	6.1

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

	2012 £m	2011 £m
At 1 May	**57.5**	63.6
Current service cost	**0.5**	0.6
Interest cost	**3.0**	3.5
National Insurance rebates received	**0.1**	0.2
Contributions from members	**0.3**	0.3
Actuarial loss/(gain)		
– experience loss/(gain)	**1.0**	(2.4)
– change in assumptions	**3.1**	(6.4)
Benefits paid	**(1.8)**	(1.9)
At 30 April	**63.7**	57.5

The actuarial loss in the year ended 30 April 2012 reflects the decrease in the discount rate (caused by falling corporate bond yields) in the year from 5.3% to 4.8% which increased the discounted value of the accrued defined benefit obligations, partially offset by a reduction in assumed future inflation and by the deficit contributions paid by the Company.

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

	2012 £m	2011 £m
At 1 May	**63.6**	55.9
Expected return on plan assets	**4.2**	3.7
Actual return on plan assets (below)/above expected return	**(2.1)**	3.9
Contributions from sponsoring companies	**2.8**	1.5
National Insurance rebates received	**0.1**	0.2
Contributions from members	**0.3**	0.3
Benefits paid	**(1.8)**	(1.9)
At 30 April	**67.1**	63.6

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

	Expected return		Fair value	
	2012 %	2011 %	2012 £m	2011 £m
Equity instruments	**7.3**	7.3	**45.2**	38.8
Bonds	**4.3**	4.8	**21.7**	19.9
Property	**7.3**	7.3	**–**	4.8
Cash	**0.5**	0.5	**0.2**	0.1
	6.3	6.5	**67.1**	63.6

22 Pensions continued

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 and economic growth net of investment expenses. The return on gilts and bonds is the current market yield on long-term gilts and bonds.

The history of experience adjustments is as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of scheme assets	**67.1**	63.6	55.9	44.0	55.3
Present value of defined benefit obligations	**(63.7)**	(57.5)	(63.6)	(43.7)	(49.5)
Surplus/(deficit) in the scheme	**3.4**	6.1	(7.7)	0.3	5.8
Experience adjustments on scheme liabilities					
(Loss)/gain (£m)	**(1.0)**	2.4	2.4	0.2	2.2
Percentage of closing scheme liabilities	**(2%)**	4%	4%	–	5%
Experience adjustments on scheme assets					
(Loss)/gain (£m)	**(2.0)**	3.9	8.5	(16.7)	(7.2)
Percentage of closing scheme assets	**(3%)**	6%	15%	(38%)	(13%)

The cumulative actuarial losses recognised in the statement of comprehensive income since the adoption of IFRS are £11.5m.

The estimated amount of contributions expected to be paid by the Company to the plan during the current financial year is £1.4m.

23 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 and pays dividends in pounds sterling.

Market risk

The Group's activities expose it primarily to interest rate and currency risk. Interest rate risk is monitored on a continuous basis and managed, where appropriate, through the use of interest rate swaps whereas, the use of forward foreign exchange contracts to manage currency risk is considered on an individual non-trading transaction basis. The Group is not exposed to commodity price risk or equity price risk as defined in IFRS 7.

Interest rate risk

Management of fixed and variable rate debt

The Group has fixed and variable rate debt in issue with 38% of the drawn debt at a fixed rate as at 30 April 2012. 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 225bp. 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 2012, the Group had no such swap agreements outstanding. The Group also may at times hold cash and cash equivalents which earn interest at a variable rate.

Net variable rate debt sensitivity

At 30 April 2012, based upon the amount of variable rate debt outstanding, the Group's pre-tax profits would change by approximately £5.4m for each one percentage point change in interest rates applicable to the variable rate debt and, after tax effects, equity would change by approximately £3.2m. The amount of the Group's variable rate debt may fluctuate as a result of changes in the amount of debt outstanding under the senior secured credit facility.

Currency exchange risk

Currency exchange risk is limited to translation risk as there are no transactions in the ordinary course of business that take place between foreign entities. The Group's reporting currency is the pound sterling. However, a majority of our assets, liabilities, revenue and costs are denominated in US dollars. The Group has arranged its financing such that, at 30 April 2012, virtually all of its debt was 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 revenue in their respective local currency and generally incur expense and purchase assets in their local currency. Consequently, the Group does not routinely hedge either forecast foreign exchange exposures or the impact of exchange rate movements on the translation of overseas profits into sterling. Where the Group does hedge, it maintains appropriate hedging documentation. Foreign exchange risk on significant non-trading transactions (e.g. acquisitions) is considered on an individual basis.

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 2012, a 1% change in the US dollar-pound exchange rate would have impacted our pre-tax profits by approximately £1.3m and equity by approximately £3.7m. At 30 April 2012, 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:

	2012 £m	2011 £m
Cash and cash equivalents	**23.4**	18.8
Trade and other receivables	**178.0**	155.3
	201.4	174.1

Substantially all of the Group's cash and cash equivalents at 30 April 2012 are deposited with a large UK-based financial institution which is not expected to fail.

The Group has a large number of unrelated customers, serving almost 500,000 during the financial year, and does not have any significant credit exposure to any particular customer. Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the markets they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across the Group, such as the use of credit reference agencies and the maintenance of credit control functions.

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment.

The Group generates significant free cash flow (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 2012, excess availability under this facility (pro-forma for the $400m increase in June 2012) was $735m (£453m).

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.

23 Financial risk management continued

At 30 April 2012

	Undiscounted cash flows – year to 30 April						
	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	545.7	–	–	545.7
Finance leases	2.1	1.3	0.4	–	–	–	3.8
9.0% senior secured notes	–	–	–	–	338.7	–	338.7
	2.1	1.3	0.4	545.7	338.7	–	888.2
Interest payments	44.0	44.3	44.9	45.7	10.2	–	189.1
	46.1	45.6	45.3	591.4	348.9	–	1,077.3

Letters of credit of £15.3m (2011: £16.1m) are provided and guaranteed under the ABL facility which expires in March 2016.

At 30 April 2011

	Undiscounted cash flows – year to 30 April						
	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	–	474.2	–	474.2
Finance leases	1.7	1.0	0.3	–	–	–	3.0
9.0% senior secured notes	–	–	–	–	–	329.7	329.7
	1.7	1.0	0.3	–	474.2	329.7	806.9
Interest payments	41.6	43.3	45.1	47.4	49.6	9.9	236.9
	43.3	44.3	45.4	47.4	523.8	339.6	1,043.8

Fair value of financial instruments

Net fair values of derivative financial instruments

At 30 April 2012, the Group's embedded prepayment options included within its secured loan notes had a fair value of £7.2m (2011: £nil). At 30 April 2012, 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 2012. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties and includes accrued interest. Where available, market values have been used to determine fair values of financial assets and liabilities. Where market values are not available, fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest and exchange rates.

	At 30 April 2012		At 30 April 2011	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Fair value of non-current borrowings:				
Long-term borrowings				
Fair value determined based on market value				
– first priority senior secured bank debt	**545.7**	**545.7**	474.2	474.2
– 9% senior secured notes	**338.7**	**354.2**	329.7	347.9
	884.4	**899.9**	803.9	822.1
Fair value determined based on observable market inputs				
– finance lease obligations	**1.7**	**1.8**	1.3	1.4
Total long-term borrowings	**886.1**	**901.7**	805.2	823.5
Deferred costs of raising finance	**(10.5)**	**–**	(12.4)	–
	875.6	**901.7**	792.8	823.5

	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:				
Fair value determined based on market value				
Finance lease obligations due within one year	**2.1**	**2.3**	1.7	1.8
Trade and other payables	**265.6**	**265.6**	174.6	174.6
Trade and other receivables	**(178.0)**	**(178.0)**	(155.3)	(155.3)
Cash at bank and in hand	**(23.4)**	**(23.4)**	(18.8)	(18.8)

24 Notes to the cash flow statement

a) Cash flow from operating activities

	2012 £m	2011 £m
Operating profit before exceptional items and amortisation	**181.3**	98.8
Depreciation	**199.8**	185.0
EBITDA before exceptional items	**381.1**	283.8
Profit on disposal of rental equipment	**(9.4)**	(5.6)
Profit on disposal of other property, plant and equipment	**(1.1)**	(0.8)
Increase in inventories	**(0.4)**	(2.6)
Increase in trade and other receivables	**(20.2)**	(21.2)
Increase in trade and other payables	**12.1**	24.7
Exchange differences	**–**	(0.2)
Other non-cash movements	**2.5**	1.6
Cash generated from operations before exceptional items and changes in rental equipment	**364.6**	279.7

b) Reconciliation to net debt

	2012 £m	2011 £m
(Increase)/decrease in cash in the period	**(4.6)**	35.9
Increase/(decrease) in debt through cash flow	**58.0**	(39.7)
Change in net debt from cash flows	**53.4**	(3.8)
Exchange differences	**20.6**	(73.1)
Non-cash movements:		
– deferred costs of debt raising	**2.4**	21.0
– capital element of new finance leases	**2.2**	2.6
Increase/(reduction) in net debt in the period	**78.6**	(53.3)
Net debt at 1 May	**775.7**	829.0
Net debt at 30 April	**854.3**	775.7

c) Analysis of net debt

	1 May 2011 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	30 April 2012 £m
Cash and cash equivalents	(18.8)	–	(4.6)	–	(23.4)
Debt due within one year	1.7	–	(1.5)	1.9	2.1
Debt due after one year	792.8	20.6	59.5	2.7	875.6
Total net debt	775.7	20.6	53.4	4.6	854.3

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

d) Acquisitions

	2012 £m	2011 £m
Cash consideration paid	**21.9**	34.8

25 Acquisitions

Sunbelt acquired the entire issued share capital of Topp Construction Services, Inc. ('TOPP') and its related company, Precision Steel Works, LLC ('Precision') for US$33.5m (£21m) on 3 April 2012. Estimated additional consideration of US$1.9m (£1.2m) is expected to become payable later in 2012 by way of tax equalisation.

Topp is a specialist rental provider of air conditioning, heating and dehumidification equipment based in Philadelphia with 15 branches located principally in major cities across the United States. Precision runs a small assembly and manufacturing facility in support of Topp's business.

Topp's revenue and operating loss in the period from the date of acquisition to 30 April 2012 were £0.5m ($0.8m) and £0.3m ($0.5m) respectively. Had the acquisition taken place on 1 May 2011 then Group reported revenue and operating profit for the year ended 30 April 2012 would have been higher by £12.9m ($20.6m) and £2.9m ($4.7m) respectively.

The net assets acquired and the provisional goodwill arising on the acquisition are as follows:

	Acquiree's book value £m	At provisional fair value £m
Net assets acquired		
Trade and other receivables	1.6	1.6
Inventory	1.1	1.1
Cash and cash equivalents	0.1	0.1
Property, plant and equipment		
– rental equipment	1.5	2.4
– other assets	0.7	0.7
Intangible assets (brand name, distribution and non-compete agreements and customer relationships)	–	10.5
Trade and other payables	(1.2)	(1.2)
	3.8	15.2
Consideration:		
– cash paid and payable		21.0
– deferred consideration (tax equalisation) payable in cash		1.2
		22.2
Goodwill		7.0

The goodwill arising can be attributed to the key management personnel and workforce of the acquired business and the benefits the Group expects to derive from the acquisition. Subject to agreement and payment to the vendor of the tax equalisation charge, this goodwill will become deductible for tax purposes and has been treated as such.

Trade receivables at acquisition were £1.5m at fair value, net of £0.1m provision for debts which may not be collected, and had a gross face value of £1.6m.

26 Contingent liabilities

Group

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

As previously reported, in spring 2011, following audits of the tax returns of the Group's US subsidiaries for the four years ended 30 April 2009, the US Internal Revenue Service ('IRS') issued revised assessments and associated notices of interest and penalties arising from its proposed reclassification of certain US intercompany debt in those years from debt to equity and its consequent proposed recharacterisation of US interest payments to the UK as equity-like distributions. The revised assessments would have resulted in additional net tax payments due of $31m together with interest and penalties of $15m. We disagreed with these assessments and defended our position vigorously.

Sunbelt and its advisers recently reached a satisfactory preliminary agreement with the IRS Appeals team on these matters. This preliminary agreement is expected to be documented and formally agreed following further internal review within the IRS during the coming fiscal year. There was no significant impact on the 2012 financial statements as a result of the preliminary agreement and the Board does not anticipate these issues generating any material impact on the Group's future results or financial position.

The Company

The Company has guaranteed the borrowings of its subsidiary undertakings under the Group's senior secured credit and overdraft facilities. At 30 April 2012 the amount borrowed under these facilities was £545.7m (2011: £474.2m). Subsidiary undertakings are also able to obtain letters of credit under these facilities and, at 30 April 2012, letters of credit issued under these arrangements totalled £15.3m ($24.9m) (2011: £16.1m or $26.8m). In addition, the Company has guaranteed the 9% second priority senior secured notes with a par value of $550m (£339m), issued by Ashtead Capital, Inc..

The Company has guaranteed operating and finance lease commitments of subsidiary undertakings where the minimum lease commitment at 30 April 2012 totalled £55.3m (2011: £59.5m) in respect of land and buildings of which £6.8m is payable by subsidiary undertakings in the year ending 30 April 2013.

The Company has guaranteed the performance by subsidiaries of certain other obligations up to £1.0m (2011: £0.7m).

27 Capital commitments

At 30 April 2012 capital commitments in respect of purchases of rental and other equipment totalled £265.3m (2011: £173.1m), all of which had been ordered. There were no other material capital commitments at the year end.

28 Related party transactions

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.

29 Employees

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

	2012	2011
North America	**6,444**	5,600
United Kingdom	**1,958**	1,921
	8,402	7,521

30 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 with the exception of Amendments to IAS 1 – Presentation of financial statements (presentation of items of other comprehensive income) and Amendments to IAS 19 – Employee benefits.

IFRS 9 – Financial instruments was issued on 12 November 2009 and revised on 25 October 2010 (and subsequent amendments to IFRS 9 and IFRS 7 were issued on 16 December 2011) and are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB has issued this standard as the first step in its project to replace IAS 39 – Financial instruments: recognition and measurement. IFRS 9 has two measurement categories being amortised cost and fair value. All equity and debt instruments are to be measured at fair value with the exception of a debt instrument being measured at amortised cost if it is being held by the entity to collect contractual cash flows and the cash flows represent principal and interest. The requirement to separate embedded derivatives from financial assets within hybrid contracts has been removed with them being classified in their entirety at either amortised cost or fair value. Two of the existing three fair value option criteria being 'loans and receivables' and 'held-to-maturity investments' measured at amortised cost will become obsolete under this fair value-driven business model. The EU has currently postponed its endorsement of this standard as its IFRS technical advisory body, the European Financial Reporting Advisory Group ('EFRAG') has decided that more time should be taken to consider the output from the entire package of standards that are expected to replace IAS 39 – Financial instruments. The Group does not believe the adoption of this standard will have a material effect on the Group's results and financial position on adoption.

IFRS 10 – Consolidated financial statements, which replaces parts of 'IAS 27 – Consolidated and separate financial statements' and all of 'SIC-12 – Consolidation – special purpose entities', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. As a consequence of the issuance of IFRS 10, IAS 27 has been amended and now contains requirements relating only to separate financial statements. The Group does not believe the adoption of this standard will have a material effect on the Group's results and financial position on adoption.

IFRS 11 – Joint arrangements which replaces 'IAS 31 – Interests in joint ventures' and 'SIC-13 – Jointly controlled entities – non-monetary contributions by venturers', requires a single method, known as the equity method, to account for interests in jointly controlled entities. 'IAS 28 – Investments in associates and joint ventures', has been amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The Group does not believe the adoption of this standard will have a material effect on the Group's results and financial position on adoption.

IFRS 12 – Disclosure of interest in other entities, is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11. The Group does not believe the adoption of this standard will have a material effect on the Group's results and financial position on adoption.

IFRS 13 – Fair value measurement, provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The Group does not believe the adoption of this standard will have a material effect on the Group's results and financial position on adoption.

Amendments to IFRS 1 – Severe hyperinflation and removal of fixed dates for first-time adopters was issued on 20 December 2010 and is effective for annual periods beginning on or after 1 July 2011. The Group does not believe the adoption of this standard will have a material effect on the Group's results and financial position on adoption.

Amendments to IFRS 1 – Government loans was issued on 13 March 2012 and is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The Group does not believe the adoption of this pronouncement will have a material effect on the Group's results and financial position on adoption.

Amendments to IFRS 7 – Disclosures – offsetting financial assets and financial liabilities was issued on 16 December 2011 and is effective for annual periods beginning on or after 1 January 2013. The amendment introduces new disclosure requirements for financial assets and liabilities that are offset in the balance sheet or subject to master netting arrangements or similar agreements. In addition, financial assets and liabilities netted off in the balance sheet must be disclosed as gross and net (including the amount set off). The Group does not believe the adoption of this pronouncement will have a material effect on the Group's results and financial position on adoption.

Amendments to IAS 1 – Presentation of financial statements (presentation of items of other comprehensive income) was issued on 16 June 2011 and is effective for annual periods beginning on or after 1 July 2012. This amendment reaffirms the 2007 amendment to allow profit or loss and other comprehensive income ('OCI') to be presented either as a single 'statement of comprehensive income', or as separate statements. It requires entities to group items presented in OCI based on whether they potentially could be reclassified to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. It also requires tax associated with items presented before tax to be shown separately for each of the two groups of OCI items. The Group does not believe the adoption of this pronouncement will have a material effect on the Group's results and financial position on adoption.

Amendments to IAS 12 – Deferred tax: recovery of underlying assets was issued on 20 December 2010 and is effective for annual periods beginning on or after 1 January 2012. The Group does not believe the adoption of this pronouncement will have a material impact on the Group's results or financial position on adoption.

Amended IAS 19 – Employee benefits was issued on 16 June 2011 and is effective for annual periods beginning on or after 1 January 2012. The amendment requires net interest to be calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the defined benefit obligation. It also requires the immediate recognition of changes (including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in OCI, plan amendments, curtailments and settlements) in the net defined benefit liability or asset (i.e. removing the 'corridor approach'). Options for presenting gains and losses have been eliminated by requiring companies to include service and finance cost in profit or loss and remeasurements in OCI. The Group does not believe the adoption of this pronouncement will have a material effect on the Group's results and financial position on adoption.

Amendments to IAS 32 – Offsetting financial assets and financial liabilities was issued on 16 December 2011 and is effective for annual periods beginning on or after 1 January 2014. The amendment clarifies that offsetting is only permitted if the legally enforceable right is not contingent on a future event and is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Group does not believe the adoption of this pronouncement will have a material effect on the Group's results and financial position on adoption.

IFRIC Interpretation 20 – Stripping costs in the production phase of a surface mine was issued on 19 October 2011 and is effective for annual periods beginning on or after 1 January 2013. The interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Group does not believe the adoption of this interpretation will have a material effect on the Group's results and financial position on adoption.

31 Parent company information

a. Balance sheet of the Company

	Note	2012 £m	2011 £m
Current assets			
Prepayments and accrued income		**0.1**	0.1
Non-current assets			
Investments in Group companies	(g)	**363.7**	363.7
Deferred tax asset		**1.1**	0.7
		364.8	364.4
Total assets		**364.9**	364.5
Current liabilities			
Amounts due to subsidiary undertakings	(f)	**111.3**	95.9
Accruals and deferred income		**4.1**	3.2
Total liabilities		**115.4**	99.1
Equity			
Share capital	(b)	**55.3**	55.3
Share premium account	(b)	**3.6**	3.6
Capital redemption reserve	(b)	**0.9**	0.9
Non-distributable reserve	(b)	**90.7**	90.7
Own shares held by the Company	(b)	**(33.1)**	(33.1)
Own shares held through the ESOT	(b)	**(6.2)**	(6.7)
Retained reserves	(b)	**138.3**	154.7
Equity attributable to equity holders of the Company		**249.5**	265.4
Total liabilities and equity		**364.9**	364.5

These financial statements were approved by the Board on 20 June 2012.

Geoff Drabble
Chief executive

Ian Robson
Finance director

31 Parent company information continued

b. Statement of changes in equity of the Company

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non-distributable reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Retained reserves £m	Total £m
At 1 May 2010	55.3	3.6	0.9	90.7	(33.1)	(6.3)	167.2	278.3
Total comprehensive income for the year	–	–	–	–	–	–	0.1	0.1
Dividends paid	–	–	–	–	–	–	(14.6)	(14.6)
Own shares purchased by the ESOT	–	–	–	–	–	(0.4)	–	(0.4)
Share-based payments	–	–	–	–	–	–	1.6	1.6
Tax on share-based payments	–	–	–	–	–	–	0.4	0.4
At 30 April 2011	55.3	3.6	0.9	90.7	(33.1)	(6.7)	154.7	265.4
Total comprehensive income for the year	–	–	–	–	–	–	0.1	0.1
Dividends paid	–	–	–	–	–	–	(15.3)	(15.3)
Own shares purchased by the ESOT	–	–	–	–	–	(3.5)	–	(3.5)
Share-based payments	–	–	–	–	–	4.0	(1.5)	2.5
Tax on share-based payments	–	–	–	–	–	–	0.3	0.3
At 30 April 2012	**55.3**	**3.6**	**0.9**	**90.7**	**(33.1)**	**(6.2)**	**138.3**	**249.5**

c. Cash flow statement of the Company

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated from operations	(i)	**20.0**	21.2
Financing costs paid – commitment fee		**(1.2)**	(6.2)
Net cash from operating activities		**18.8**	15.0
Cash flows from financing activities			
Purchase of own shares by the ESOT		**(3.5)**	(0.4)
Dividends paid		**(15.3)**	(14.6)
Net cash used in financing activities		**(18.8)**	(15.0)
Change in cash and cash equivalents		**–**	–

d. Accounting policies

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

e. Income statement

Ashtead Group plc has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006. The amount of the profit for the financial year dealt with in the accounts of Ashtead Group plc is £0.1m (2011: £0.1m). There were no other amounts of comprehensive income in the financial year.

f. Amounts due to subsidiary undertakings

	2012 £m	2011 £m
Due within one year:		
Ashtead Holdings PLC	**111.3**	90.1
Ashtead Plant Hire Company Limited	**–**	5.8
	111.3	95.9

g. Investments

	Shares in Group companies	
	2012 £m	2011 £m
At 30 April 2011 and 2012	**363.7**	363.7

The Company's principal subsidiaries are:

Name	Country of incorporation	Principal country in which subsidiary undertaking operates
Ashtead Holdings PLC	England and Wales	United Kingdom
Sunbelt Rentals, Inc.	USA	USA
Empire Scaffold LLC	USA	USA
Ashtead Plant Hire Company Limited	England and Wales	United Kingdom
Ashtead Capital, Inc.	USA	USA
Ashtead Financing Limited	England and Wales	United Kingdom

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 activities of Sunbelt Rentals, Inc., Empire Scaffold LLC and Ashtead Plant Hire Company Limited are equipment rental and related services while Ashtead Capital, Inc. and Ashtead Financing Limited are finance companies. 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., Empire Scaffold LLC and Ashtead Capital, Inc. which are owned indirectly by Ashtead Holdings PLC through another subsidiary undertaking.

h. Financial instruments

The book value and fair value of the Company's financial instruments are not materially different.

i. Notes to the Company cash flow statement

Cash flow from operating activities

	2012 £m	2011 £m
Operating profit	**1.1**	4.4
Depreciation	**0.1**	0.1
EBITDA	**1.2**	4.5
Decrease in receivables	**–**	0.1
Increase in payables	**0.9**	1.8
Increase in intercompany payable	**15.4**	13.2
Other non-cash movement	**2.5**	1.6
Net cash inflow from operations before exceptional items	**20.0**	21.2

Ten year history

	2012	2011	2010	2009	2008	2007	2006	IFRS 2005	2004	UK GAAP 2003
In £m										
Income statement										
Revenue+	**1,134.6**	948.5	836.8	1,073.5	1,047.8	896.1	638.0	523.7	500.3	539.5
Operating costs+	**(753.5)**	(664.7)	(581.7)	(717.4)	(684.1)	(585.8)	(413.3)	(354.2)	(353.3)	(389.4)
EBITDA+	**381.1**	283.8	255.1	356.1	363.7	310.3	224.7	169.5	147.0	150.1
Depreciation+	**(199.8)**	(185.0)	(186.6)	(201.1)	(176.6)	(159.8)	(113.6)	(102.4)	(102.8)	(111.0)
Operating profit+	**181.3**	98.8	68.5	155.0	187.1	150.5	111.1	67.1	44.2	39.1
Interest+	**(50.7)**	(67.8)	(63.5)	(67.6)	(74.8)	(69.1)	(43.6)	(44.7)	(36.6)	(40.9)
Pre-tax profit/(loss)+	**130.6**	31.0	5.0	87.4	112.3	81.4	67.5	22.4	7.6	(1.8)
Operating profit	**178.2**	97.1	66.0	68.4	184.5	101.1	124.5	67.1	16.2	0.6
Pre-tax profit/(loss)	**134.8**	1.7	4.8	0.8	109.7	(36.5)	81.7	32.2	(33.1)	(42.2)
Cash flow										
Cash flow from operations before exceptional items and changes in rental fleet	**364.6**	279.7	265.6	373.6	356.4	319.3	215.2	164.8	140.0	157.3
Total cash (used)/generated before exceptional costs and M&A	**(9.4)**	65.6	199.2	166.0	14.8	20.3	(5.2)	58.7	56.6	38.9
Balance sheet										
Capital expenditure	**476.4**	224.8	63.4	238.3	331.0	290.2	220.2	138.4	72.3	85.5
Book cost of rental equipment	**1,854.1**	1,621.6	1,701.3	1,798.2	1,528.4	1,434.1	921.9	800.2	813.9	945.8
Shareholders' funds*	**554.7**	481.4	500.3	526.0	440.3	396.7	258.3	109.9	131.8	159.4
In pence										
Dividend per share	**3.5p**	3.0p	2.9p	2.575p	2.5p	1.65p	1.50p	Nil	Nil	Nil
Earnings per share	**17.8p**	0.2p	0.4p	12.5p	14.2p	0.8p	13.5p	5.2p	(9.9p)	(9.5p)
Underlying earnings per share	**17.3p**	4.0p	0.2p	11.9p	14.8p	10.3p	11.3p	3.2p	(0.7p)	(0.4p)
In percent										
EBITDA margin+	**33.6%**	29.9%	30.5%	33.2%	34.7%	34.6%	35.2%	32.4%	29.4%	27.8%
Operating profit margin+	**16.0%**	10.4%	8.2%	14.4%	17.9%	16.8%	17.4%	12.9%	8.8%	7.2%
Pre-tax profit/(loss) margin+	**11.5%**	3.3%	0.6%	8.1%	10.7%	9.1%	10.6%	4.8%	1.5%	(0.3%)
Return on investment+	**12.0%**	7.0%	4.6%	9.7%	14.0%	12.9%	14.7%	11.0%	6.9%	4.9%
People										
Employees at year end	**8,555**	8,163	7,218	8,162	9,594	10,077	6,465	5,935	5,833	6,078
Locations										
Stores at year end	**485**	462	498	520	635	659	413	412	428	449

The figures for the years ended 30 April 2005 and later 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, amortisation and fair value remeasurements.

* Shareholders' funds for the year ended 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.

Additional information

Future dates

Quarter 1 results	4 September 2012
2012 Annual General Meeting	4 September 2012
Quarter 2 results	11 December 2012
Quarter 3 results	5 March 2013
Quarter 4 and year end results	20 June 2013

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