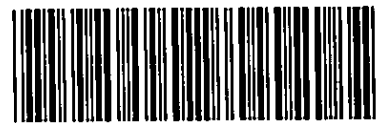


# returning to growth

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**2011**  
Annual Report & Accounts

# Returning to growth

**Ashtead rents construction and industrial equipment to a wide range of customers in the US and UK. We supply equipment that lifts, powers, generates, moves, digs, compacts, drills, supports, scrubs, pumps, directs and ventilates – whatever the job needs.**

The increasing number of customers outsourcing their equipment needs in the US has enabled us to return to growth this year despite continuing weakness in the US construction market. This ongoing structural shift in the US towards increased rental penetration is something we have long anticipated and which we expect to continue. Our business model ensures we are able to provide our customers with the right kit at the right time so that they no longer need to invest in equipment or incur maintenance, storage or transportation costs. By using our services, customers can focus on what they do best and outsource their equipment requirements to us. Our wide network, superior staff and commitment to excellent customer service make us a national leader in both the US and UK equipment rental markets.

Our core objectives are

- to extend our leadership position in the equipment rental industry
- to deliver superior returns for our shareholders above our weighted average cost of capital through the economic cycle
- to offer a progressive dividend based on the availability of both profits and cash, whilst keeping to a level which is sustainable through the cycle

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# our 2010/11 performance

- **Group pre-tax profits of £31m (2010: £5m)**
- **Sunbelt's rental revenue up 10%; operating profit up 39% to \$162m (2010: \$117m)**
- **A-Plant's rental revenue up 1% with operating profit of £2.7m (2010: £1.8m)**
- **Capital expenditure increased to £225m (2010: £63m); £325m planned for 2011/12**
- **Balance sheet remains strong and our debt well structured with five year average maturities, net debt of £776m (2010: £829m) and leverage of 2.7 times EBITDA (2010: 3.2 times)**
- **Proposed final dividend of 2.07p making 3.0p for the year (2010: 2.9p)**

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 provides equipment for rent from our nationwide networks in the US and the UK. We provide solutions for customers who need a quick, efficient and cost effective service. We are the second largest equipment rental company in the world and operate as Sunbelt in the US and as A-Plant in the UK. Some 85% of our revenues come from our US business.

## UK: A-Plant

The third largest  
equipment rental  
company in the UK  
with 106 stores  
throughout England,  
Scotland and Wales

**106**

Number of stores

**1,900**

Employees

**£166m**

Revenue

**£3m**

Profits

**1.1%**

Return on investment\*

## what we do

Our equipment is rented on flexible terms so that our customers have no need to own, maintain and service equipment they may use only intermittently. Our job is to ensure that the right equipment is there when it needs to be and is ready to work immediately, efficiently and safely.

We locate our stores where they are most needed and we guarantee our service. We make sure the right equipment is in place to get the job done whether it is a small hand held tool or the largest aerial work platform.

Providing  
equipment  
for facilities  
management at new  
shopping centre  
complex

Facilitating fit-out  
and ongoing  
maintenance for  
office blocks.

On-site tool hire  
and maintenance  
for new residential  
construction site

Providing an on-site  
hire depot and  
contractors' village  
for a long-term  
hospital construction  
project

Replacing worn  
out sewage  
infrastructure

Designing and  
implementing  
traffic  
management  
systems

## US: Sunbelt

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

316 full service stores and  
40 Sunbelt at Lowes shops

Number of stores

**6,200**

Employees

**\$1,225m**

Revenue

**\$162m**

Profits

**8.6%**

Return on investment\*

\* Return on investment is defined as underlying operating profit divided by the weighted average cost of capital employed (tangible and intangible fixed assets plus net working capital but excluding net debt, deferred taxes and fair value remeasurements)

### Equipment types

We supply a full range of industrial and construction equipment such as 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

### Customer base

Our customer base is very diverse. We serve construction and industrial markets, disaster relief agencies, sport and music event organisers, governments, local authorities, facilities management and homeowners

Advising on health  
and safety aspects  
of equipment in  
use at new sports  
stadium

Tracking our  
equipment for  
customers using  
mobile tracking  
systems

Designing,  
erecting and  
dismantling  
scaffolding  
systems

Renting generators,  
powered access  
equipment, lighting  
and temporary  
accommodation units  
for an outdoor  
music festival

Drying out and  
cleaning up after  
a flash flood at  
an industrial  
warehouse

# chairman's statement

Chris Cole  
Chairman

## Returning to growth

I am pleased to be able to report that Ashtead returned to growth in the past year with underlying Group pre-tax profits up from £5m in 2010 to £31m and underlying earnings per share of 4.0p (2010: 0.2p). This recovery is not, as yet, being driven by an improvement in end construction markets which remained weak all year in both the US and UK. Instead, as we had always expected would be the case at this point in the cycle, we saw an increase in the demand for our services in the US driven by increased rental penetration and also by the gains we made in market share.

The biggest driver of our profit growth was the rise in US rental revenue which increased 10% in the year as we grew average fleet on rent by 5% and our achieved yield or rate by 3%. This growth in rental revenue, coupled with continued control over operating costs, saw Sunbelt's underlying operating profits rise 39% to \$162m (2010: \$117m). In the UK, despite difficult end markets and already high rental penetration, A-Plant again performed well relative to its peers. However, absolute UK returns were still low with an operating profit of £3m (2010: £2m).

Looking forward, we are cautiously optimistic about end construction markets in the US with leading indicators predicting that we will see an end to the declines in 2011, with strengthening growth in 2012 and 2013. We also expect that the twin benefits of the ongoing structural shift in the US market to rental combined with gains in our market share, which helped drive our performance in the past year, will continue into this year and beyond. In the UK, it is likely that end markets will remain tough for some time but this will, we think, help bring about a reduction in both fleet size and the number of participants in what has been an over-supplied market. We expect there to be consequent positive implications for returns when end markets recover.

## Stronger as we enter the upturn

At Ashtead we have long recognised that we operate in a cyclical market and that, in dealing with the challenges of recession, equally we need to prepare for recovery.

This cycle, despite the depth of the decline in US end construction markets since 2008, we believe we are much better positioned than we were when the US last came out of recession post 2001/2. We now have a far larger national US business with the opportunity to capitalise on renewed growth wherever it first arises regionally. And whilst we cut costs dramatically in 2009, we did so in a way which still today leaves us with the store network and geographical reach required to participate in almost all the markets we served at the last peak in 2008. We also start the recovery with stronger US EBITDA margins than we earned back in 2003/4, 32% versus 28%, and believe we have not yet seen the full profit potential from our acquisition of NationsRent in 2006.

Thus we are excited by the opportunities available to us to build organically on the nationwide store network we created in the US with the NationsRent acquisition and which we have worked hard to preserve through the recessionary years. We believe we have the opportunity to add broadly 25% to current fleet size at existing stores in coming years, as well as having a proven new store opening model to which we can return selectively as end markets recover.

## Continued balance sheet strength

Not only are we larger now than in 2003/4, but our financial position is much stronger. Our rental fleet is not as old and our funding position is healthy. We recently announced that we had renewed the Group's asset-based senior secured loan facility in the amount of \$1.4bn and extended its maturity to March 2016 at an interest margin 1% lower than the 2013 commitments we replaced. Over the 2008 to 2010 period the Group reduced outstanding debt by almost £400m at current exchange rates or about one-third, principally from organic cash generation. Given this reduction, just before year end, we redeemed \$250m of our junior debt early which has further lowered future interest costs whilst still giving us the funding we need to finance growth. We believe that the Group has now reached a size and scale where cash generation should largely fund organic growth and hence, before any acquisitions, net debt can be held broadly to its current level over the next phase of the cycle.

Our £776m total net debt now comprises \$796m drawn under our senior loan facility together with the \$550m 2016 senior secured note issue, and was committed for 5.1 years on average at year end. The \$479m availability on the senior loan facility provides us with the balance sheet flexibility and strength required to enable our businesses to succeed and prosper in the years ahead.

## Acquisitions

Given the organic growth opportunities available to us both within the existing store network and through green-field openings, our growth plans do not require acquisitions. Nonetheless, we believe there will be attractive opportunities to enhance the Group through further diversification into specialist markets and non-construction activities.

Thus, in January 2011, we acquired Empire, a specialist provider of scaffold rental, erection and dismantlement services principally to the Gulf Coast petrochemical industry. We paid approximately \$39m with a \$1.5m earn-out depending on Empire's profits in the year to 31 August 2011. This acquisition has enabled us to expand our specialty scaffolding services from the US eastern seaboard into new markets along the Gulf Coast. It has also brought with it a largely industrial customer base into which we expect, in time, to build out our general tool product offering.

# We have returned to growth in the past year with underlying group pre-tax profits up from £5m in 2010 to £31m

## What about the UK?

This is a question we are often asked. The Board believes that A-Plant continues to offer the potential for attractive returns in the future. However, we also recognise that the UK end construction market is challenging and is likely to remain so for some time as public investment is curtailed.

In this environment, after three years of low fleet investment and material cash generation from A-Plant, our strategy is now to invest prudently in the business. We aim to ensure the quality of our offering and to continually re-emphasise to our customers the need for rates to be at a level necessary to support this investment. In our view, the UK rental market retains too many marginal participants which has perpetuated low returns. Perversely, the extended period of weak end markets which we believe lies ahead may prove to be the catalyst for change as weaker participants may find it challenging to survive. We have already seen one former top five UK market participant close its business at the end of 2010.

We retain the possibility of accelerating the market consolidation we believe is necessary through acquisition but we would only do so at a price which offers our shareholders an appropriate return on investment. The past year saw us make a public approach with our Belgian partners, TVH, for Lavendon under which we would have acquired Lavendon's UK access equipment business. Because we and TVH had a firm view on value, we withdrew our approach once it became clear that our view of the challenges ahead was not, at the time, shared by a sufficiently large proportion of Lavendon's shareholders for our approach to succeed.

Therefore, whilst we remain alert to the portfolio opportunities which our financial strength offers within the UK market, it is important to emphasise that our central strategy for the UK of prudent selective investment coupled with focusing on the value of the service we provide remains appropriate. It will, the Board believes, offer attractive returns once the cyclical UK construction market recovers.

## Changes to the Board

As I explained in last year's statement Gary Icton stood down from the Board at the September 2010 AGM on the expiry of two full terms as a non-executive director. We were delighted last September to announce the appointment of Ian Sutcliffe to replace Gary. Ian has had a wide and varied career in marketing and general management, latterly in the house-building and commercial property investment sectors. His experience, including his knowledge of these markets, complements the Board.

## Dividend

Consistent with our policy of offering a progressive dividend having regard to the availability of both profits and cash whilst keeping to a level which is sustainable through the cycle, the Board is recommending an increased final dividend of 2.07p per share (2010: 2.0p per share) making 3.0p for the year (2010: 2.9p). If the proposed final dividend is approved at the forthcoming Annual General Meeting, it will be paid on 9 September 2011 to shareholders on the register on 19 August 2011.

## Our people

We always say that our people are our most important asset and that has never been truer than through the recent difficult years when the dedication and loyalty of our staff have been sorely tested. Accordingly I thank them for their commitment to making Ashtead the best in the equipment rental business regardless of the difficult market conditions that we faced. As we begin the return to growth, we hope they, alongside our shareholders, will see further rewards for their continued support. This year we have expanded our reporting on employee matters and you can read more about the initiatives we have in place in our extended corporate responsibility report on pages 34 to 39.

## Current trading and outlook

The momentum we established throughout the past year has carried forward into May with encouraging levels of fleet on rent and yield growth.

Looking forward we remain cautious over the outlook for end construction markets in the short term, particularly in the UK. However, we continue to benefit from the structural shift to rental, market share gains and the improvements we have established in all key areas of our business. Together with our balance sheet strength and strong market positions, this makes us confident of another year of good progress.

**Chris Cole**  
15 June 2011

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# business and financial review introduction

Right

**Geoff Drabble**

Chief executive

Far right

**Ian Robson**

Finance director

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Ashtead has now traded successfully through the recent economic downturn retaining its position as the world's second largest equipment rental group. More importantly, we believe that the ability of our model to offer attractive returns to our investors over the cycle, as well as interesting and varied careers to our staff and a valued service to our customers, continues to be demonstrated. Given how difficult end construction markets in the US and UK have been, that is a significant achievement. The flexibility of our business model combined with our efficient financing means that we are well positioned to benefit as end markets, particularly in the US, begin their cyclical recovery. Leading indicators show the US construction market reaching the inflection point in summer or autumn 2011 and rebuilding from there. Whilst the UK construction market is likely to be challenging for some years yet, we are confident that it will follow the US into cyclical recovery in due course.

As regular readers of this report will know, ours is an inherently cyclical business and we aim to manage it as such and therefore to plan for both good times and bad. We planned carefully for the recession we just experienced, particularly with regard to the terms of our debt and to our ability to manage the levels of our capital expenditure and hence to generate substantial cash flow. As a result, we are emerging from recession in better shape than many of our competitors, some of whom have not survived, whilst others have had to materially reduce the size of their business. We have retained the infrastructure necessary to service almost all the markets in which we traded at peak in 2008 and our US rental fleet is, at 30 April 2011, only 9% smaller than it was at that peak.

Equipment rental remains a relatively young industry and we are still a comparatively young company. We believe there are significant opportunities to be had, especially in the US where rental penetration remains at around only 40% but growing compared to the 70–75% penetration in the more mature UK market. We are determined to take maximum advantage of the next cycle and of the network, fleet, finances and human capital that we have preserved through the recession.



# Returning to growth

- **understanding  
our markets**
- **enabling the  
structural shift**
- **creating  
opportunities**

While we operate in many different sectors, our largest end market continues to be new build construction which suffered greatly as a result of the recession. However, we have been through difficult cycles before and we have learnt some tough lessons which are helping us now.

By applying that knowledge of the market, we look to ensure that we are stronger than we were when the last recession ended. In particular, our relative financial weakness in 2003/4 meant that some of our peers were able to invest earlier in renewing and growing their rental fleets than we were. This time, our relative financial strength has seen us already re-invest at a rate of 122% of depreciation last year with an expectation of 175% of depreciation in 2011/12. At this stage of the cycle, however, it is important to note that most of this is replacement expenditure with only modest fleet growth of 1–3% expected on average in 2011/12.

This is because we need to see recovery in rental rates and yield to help us drive return on investment back into double digits before we build too much growth into our model. Despite much larger reductions in construction volumes this time, Sunbelt's rental rates have followed a consistent pattern, reaching the bottom of the cycle at a similar level as during the much milder recession in 2002/3. In addition, second-hand equipment values, which briefly fell below previous lows, recovered quickly to the low point experienced during the last downturn and have since moved ahead. These trends support our early decision to increase spending to end the ageing of our fleet during the recession, and hence prepare for recovery. As we head towards a growing end market, Sunbelt's EBITDA margins at 32% are significantly stronger than its 28% trough margin of 2002/3. In addition, with around 10% fewer rental companies trading now than in 2007, we believe Sunbelt is well positioned for expansion. Our experience at A-Plant in the more mature UK rental market also enables us to foresee likely trends as the US market develops.

# understanding our markets

"The lessons we learnt about how our markets reacted during the 2002/3 recession have allowed us to adapt and perform better through this one. We now need to be prepared to apply the lessons of the last recovery and be ready to expand quickly to capitalise on market opportunities"

"US contractors recognise increasingly that they don't need to always own equipment and are becoming comfortable renting it. We and our large peers now provide a nationwide network with a large fleet available on demand to customers as they require it. We're enabling our customers, by outsourcing their equipment needs to specialists such as ourselves, to do business in a more cost effective way while minimising their risk."

# enabling the structural shift

The US market is shifting increasingly towards equipment rental instead of each contractor owning its own fleet. Estimates are that rental penetration in the US rose from around 25% in 2000 to about 40% last year. We believe that this growth is set to continue. In addition, there is a move towards fewer, bigger players in the market. There are a number of reasons for these structural shifts.

Firstly, renting equipment rather than owning and maintaining it reduces contractors' risk and helps them protect their own balance sheet. This is particularly important for the smaller contractors whose finances and potential markets may be more limited. Tightening regulation on health and safety and environmental issues is also making it more expensive to own fleet as there is a need to always carry out service and maintenance checks in line with the equipment manufacturer's recommendations and to keep records showing that this has been done. This all means that rental is becoming more attractive.

Bigger players in the rental market such as ourselves benefit from scale, allowing us to move fleet around our networks to match market demand. In addition, capital can still be hard to access for the smaller players, making it more difficult for them to invest in new fleet. Long lead times for equipment are also likely to limit the expansion of those players who have scaled back too far, as they may be unable to reinvest quickly. Our financial strength gives us the ability to plan our equipment orders on a longer-term basis enabling us to absorb the impact of extended lead times from equipment manufacturers and take unimpeded advantage of the structural shifts ongoing in the market.

# creating opportunities

Our size and scale enables us to fund the development of leading edge technology across our business in a way that few of our competitors can match. We are also able to share these developments across both our US and UK businesses. For example, we developed our Auto Tool Hire Unit in the UK and now, following its successful launch over the past year, will be launching it in Sunbelt this year. The Auto Tool Hire Unit is an unmanned, automated cabin designed to be located at customers' sites and provide contractors with on-site instant access to a range of tools and other equipment.

It is delivered direct to site fully stocked with equipment and uses RFID (radio-frequency identification) technology to record when equipment is taken on and off hire. The success of the Auto Tool Hire Unit has already been recognised by the industry with the unit being awarded Best New Product of the Year in the Hire Association Europe's 2011 Awards of Excellence.

Other recent examples of the application of technology to increase efficiency and enhance the rental process include Sunbelt's deployment of an in-house developed logistics system which largely automates the process of delivery and collection of equipment. It enables our stores to monitor the location of each of our delivery trucks and direct them to collect equipment automatically whilst they are out on the road. In the UK, A-Plant has begun computerising all record keeping regarding the service and maintenance of its rental fleet. This development raises the efficiency of both service and maintenance. It facilitates fleet transfer between stores, improves reporting on any issues and means that any store is able easily to access and work on any item of equipment.

"We are innovating both our service offering and our product range to make the most of the opportunities that will come in a growing market. For example, the use of leading edge technology in our Auto Tool Hire Unit, in logistics and in recording our fleet service and maintenance activities is set to revolutionise the rental process for customers, as well as offering an environmentally more responsible means of delivering our service offering"

# business and financial review continued

## our strategy

**"As we had hoped, the actions we have taken over the last three years mean that we are well positioned for growth now that the market is beginning to improve."**

The key objectives of our long-term strategy are to maintain our position as a leader in the global equipment rental business and deliver good returns for our investors through the cycle. We focus our strategy on five key areas. As well as providing opportunities for growth, these strategic priorities enable us to manage areas of risk within the business. They also form the backbone of our business model. We monitor our success through our key performance indicators (KPIs) (see pages 19 to 21).

Our key areas of focus are

- Managing the cycle
- Differentiating our service and fleet
- Ensuring operational excellence
- Investing in our people
- Maximising our return on investment

### Managing the cycle

All our strategic initiatives have to be executed in the context of our position within economic cycles, as these have a profound effect on our business. This is because a large proportion of our business comes from construction markets which are routinely cyclical in nature. As the cycles evolve, so do our operational, financial and risk management priorities. This ensures that we manage risk effectively and remain on track with our KPIs regardless of where we are in the cycle. Our prudent management through the most recent economic downturn has meant that we are now well positioned to capitalise on the return to growth. The chart below shows how we manage the business through the economic cycle and where we are now.

#### Phase 1

When we are in a growth cycle, we use free cash flow to increase investment in our rental fleet to support revenue, EBITDA and earnings growth. This also reduces the age of our rental fleet. We are able to take advantage of the many growth opportunities available, both organic as well as selective acquisitions if profitable opportunities arise and can deliver high levels of customer satisfaction. We enjoy high utilisation at good rates and generate strong margins. Capital expenditure is strong and debt remains broadly flat. Leverage tends to reduce as earnings grow.



## Phase 2

In this phase, markets are still strong but we know that it cannot last forever. We need to adapt our strategy and begin to get ready for the coming downturn. Our particular focus is on preparing the balance sheet for lower levels of income when the cycle turns. In this way we manage the cyclical risk inherent in the business. We commit our debt for the long term and structure it to remain covenant free. This enables us to get on with running the business unimpeded through the cycle. We start to reduce the rate at which we invest in new equipment and begin gently increasing the age of our rental fleet. This in turn increases cash flow.

## Phase 3

At the beginning of the downturn, if necessary, we may rightsize the business to ensure that it is best positioned to withstand the worsening economy. In this way we sustained our EBITDA margin (one of our KPIs) at 30% during the latest cycle.

## Phase 4

Once in recession we focus on running a tight business, reducing capital expenditure to around half the level of depreciation, further reducing the fleet if required and, as a result, entering our most cash generative phase. We aim to keep our fleet on rent (another of our KPIs) and utilisation high.

Typically, we apply the cash we generate to pay down debt, sustaining our leverage close to our target despite lower earnings. At all times, however, we take care to maintain the optimal flexibility to ensure that we can bounce back aggressively once the upturn arrives. The focus is on cost efficiency while at the same time positioning the business for the recovery to come.

## Phase 5

Once the recovery is under way, we look for our preparations to pay off. Rental rates begin to recover as does utilisation and consequently we typically deliver good earnings growth. Capital expenditure increases as the business expands again. Leverage reduces as earnings recover and, once again, we begin to invest for organic growth. At the same time we may look for opportunities amongst those in the industry who have struggled to survive the recession and are in a weaker position than ourselves. The flexibility of our business model enables us to upgrade and expand quickly to service increased demand.

# business and financial review continued

## our strategy

### Where are we now

We believe we are in Phase 5 of the cycle. Our rental and utilisation rates are beginning to recover and earnings are improving. In the US we are already working to exploit opportunities in markets or sectors where we are under-represented. Our focus is on organic growth by adding equipment to the existing store base, by building out immature clusters (see detail on our operating model below) and by entering new markets where there is no existing presence.

Of the available growth opportunities, increasing the fleet size at existing stores offers the most immediate return. This generates improved revenue without increasing the cost base proportionately. At the same time, we are planning over the next few years for aggressive expansion of our specialty businesses. The strengthening of our scaffolding services division through the recent acquisition of Empire Scaffold is one example of this strategy.

### Differentiating our service and fleet

By differentiating our service and fleet we manage the risk associated with being overly exposed to a downturn in any one sector of our business. Both our customer base and the fleet itself are highly diversified. Our customers range in size and scale from multinational businesses which are serviced at a national level, to individuals doing up their own home. In addition, we are diversified further by our specialist service offerings, such as our Pump and Power division in the US which often assists in emergency situations such as floods, and A-Plant Lux, our specialist traffic control and management business in the UK. We also service a range of other applications such as industrial, events, facilities management and repair and maintenance.

Our diversified customer base includes construction, industrial and homeowner customers, as well as government entities and specialist contractors. These are analysed by Standard Industry Classification in the charts above. In the US we seek to run our business with a broad customer base and a particular focus on the local/mid-size contractor segment. While we have a broadly similar fleet to that of our peers, we differentiate our offering by emphasising smaller equipment types which we believe offer the potential for higher returns. For example, small tools and general equipment accounted for 17% of the overall cost of Sunbelt's fleet last year but generated 26% of revenue. When we are involved in a major long-term project we often provide the full range of our equipment from small hand-held tools to larger dirt moving or aerial equipment. For an example of this see the project lifecycle chart on page 25.

## Ensuring operational excellence

We seek to ensure operational excellence through our operating model. Many elements of this model are similar in both the US and the UK, but we adapt it to suit the different markets.

- In the US we achieve nationwide coverage by taking a 'clustered market' approach grouping general tool and specialist rental locations in each of our main geographical districts, typically covering a large city or conurbation. Sunbelt has rental operations in 44 of the top 50 metropolitan areas. This approach allows us to provide a comprehensive product offering and convenient service to our customers wherever their job sites may be within these markets. Recent years have seen a subtle shift away from a store focused approach to a whole market one – so we still deliver locally but we also ensure we gain the benefits of scale district-wide through initiatives such as centralised field service and also coordination across the district of our delivery truck fleet.
- In the UK, our strategy is focused on having sufficient stores to allow us to offer a full range of equipment nationwide. In the last few years, during the recession, through our store closure programme, we have completed the migration to fewer, larger locations which are able to address all the needs of our customers. Thus we have reduced A-Plant's store count from over 200 to around 100 full service locations today which we see as about ideal for a national provider in Great Britain.
- Across our rental fleet, we aim generally to carry equipment from one or two suppliers in each product range and to limit the number of model types of each product. Having a standardised fleet results in lower costs because we obtain greater discounts by purchasing in bulk and reduce maintenance costs through more focused, and therefore reduced, training requirements for our staff. We are able also to share spare parts between stores which helps to minimise the risk of over-stocking, and to transfer fleet between locations easily which helps us achieve leading levels of fleet utilisation.
- We purchase equipment from vendors with good reputations for product quality and reliability and maintain close relationships with these vendors to ensure good after-purchase service and support. However, we also maintain sufficient alternative sources of supply for the equipment we purchase in each product category.
- We aim to offer a full service solution so we hold a full range of equipment to meet all uses and applications required by our typical customers.
- Our sales forces are encouraged to build and reinforce long-term relationships with customers and to concentrate on strong, whole-life returns from our rental fleet, rather than on short-term returns from sales of equipment. We work closely with our customers to ensure we meet their needs. In addition we make use of smart phones so that our sales staff can access real-time fleet availability and pricing information and respond to changing dynamics rapidly in these critical areas.
- We guarantee our service standards both in the UK and US and voluntarily accept financial penalties if we fail to meet our commitments to our customers. We believe that our focus on customer service and the guarantees we offer help distinguish our businesses from competitors and assist us in delivering superior financial returns.
- We invest heavily in the technology required to deliver efficient service as well as high returns. We have developed technology to capture and record the time of delivery and the customer's signature electronically allowing us to monitor and report on on-time deliveries. We also use electronic tracking systems to monitor and secure the location and usage of large equipment.

# business and financial review continued

## our strategy

### Investing in our people

We are very proud of our superior workforce and invest heavily in their training and development. We operate a devolved structure so we need to be sure we have the best people in place in each location.

In general, the rental industry suffers from high staff turnover, particularly within certain job categories such as mechanics and delivery truck drivers. Turnover tends to be particularly high within the first year of employment. However, despite the recent difficult economic environment, we have made generally good progress in improving our staff retention in recent years as shown in the staff turnover chart above.

We aim to attract good people and then invest in their development. Once people have been with us for a few years they tend to stay for a long time and many of our senior staff started out in front line positions at one of our rental stores. For example, while we see 13% staff turnover in the US overall, that falls to close to zero amongst our store management and more senior staff.

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, for example, is the largest in the rental 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 has a well established programme of working with the US military which delivers a consistent and quality source of potential recruits to our team.

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 has been an important element in retaining the confidence of our workforce through the recent difficult times. You can find out more about our employees in our corporate responsibility report on pages 34 to 39.

### Maximising our return on investment

Return on investment (RoI) is a key performance indicator that we use to monitor our business at all levels. For the Group as a whole our objective is always to ensure that, averaged across the economic cycle, we deliver RoI well ahead of our cost of capital. In recent years returns have been adversely impacted by recession as shown by the chart above. However, we are already seeing an improvement with RoI for 2011 at 7.0% compared with 4.6% in 2010.

We maximise our RoI through encouraging effective management of invested capital by:

- maintaining a concentration of higher-return (often specialised) equipment within the overall rental equipment fleet and being underweight in those asset classes with high rental penetration,
- promoting the transfer of equipment to locations where maximum utilisation rates and returns can be obtained,
- monitoring the amount of invested capital at each of our stores, and
- empowering regional and local managers to adapt pricing policies in response to local demand in order to maximise overall returns.

# our strategy

## vision

To be a leader in the global equipment rental business and deliver superior returns for our investors through the cycle above our cost of capital

## strategy

To manage a differentiated business efficiently in an inherently cyclical industry

## our strategic priorities

**1**

Efficient management of business cycles to take advantage of peaks and minimise troughs

**2**

Maintain a differentiated service and fleet from the competition

**3**

Ensure operational excellence across the business

**4**

Build, train, develop and maintain the best team in the industry

**5**

Maximise our return on investment through the cycle

## our business model

### Differentiating our service and fleet:

- Diversified customer base
- Wide variety of applications
- Fleet focus differentiated from competition
- Broad fleet mix

### Investing in our people:

- Highly skilled team
- Devolved structure
- Maintaining significant levels of experience
- Strong focus on recruitment, training and incentivisation

### Managing the cycle

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

### Maximising our return on investment:

- Effective management and monitoring of fleet investment
- Optimisation of utilisation rates and returns
- Flexibility in local pricing structures

### Ensuring operational excellence:

- Nationwide networks in US and UK
- Long-term partnerships with manufacturers
- Focused service-driven approach
- Strong customer relationships
- ISO accreditation
- Industry-leading application of technology

# business and financial review continued

## key performance indicators

At Group level, we measure the performance of the business using a number of key performance indicators as shown in the table below. These help to ensure that we are delivering against our stated objectives. As discussed further in the report from the Remuneration Committee, we link the remuneration of our executive directors to the achievement of certain of our KPIs, specifically underlying earnings per share.

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.

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### Physical utilisation (%)

Physical utilisation is measured as the daily average of the amount of serialised 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 2011).

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.

Utilisation this year in the US reached a five-year high in October 2010 as markets commenced cyclical recovery and we operated with a fleet size 9% below peak because of downsizing during the recession.

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### 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 5% in 2010/11.

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### 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.

We were pleased in the past year to have delivered what we believe to be the strongest yield performance in the US with Sunbelt returning to yield growth year on year in our second quarter, a full quarter ahead of its large US peers and delivering 3% growth over the year as a whole.

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### 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. Given the cyclicity of our revenue, it is also important that we adjust our cost base as far as practicable to limit any reduction in our underlying EBITDA margin when revenues are declining.

### Underlying EPS (p)

Underlying EPS is a key measure of financial performance for the Group as a whole. It is measured before exceptional costs, amortisation of acquired intangibles and fair value remeasurements. This year, as we generated improved volumes of fleet on rent and growth in yield, EPS improved over the cyclical low of 2010. Our balance sheet structure, which involves us incurring a significant interest cost, means that our underlying EPS varies substantially through the cycle.

### 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. As with underlying EPS, the past fiscal year has seen the first stage of recovery in RoI from 2009/10's cyclical low.

### 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 2–3 times. This year's initial stage of the expected cyclical recovery in earnings has seen this ratio quickly return to within our target range.

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 2011 was \$479m which both ensures all our debt remains effectively covenant free and also provides us with substantial headroom for future investment.

### 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. While it was not unexpected that employee turnover declined in a recession, we are nonetheless pleased with the reduction given the pressure our people were under to deliver in difficult market conditions. As we move into recovery, we are aiming to keep turnover below historical levels 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. While increased pressure on our business during the recession resulted in an increase in A-Plant in 2010, accident rates have reduced this year and we believe our continued focus on health and safety will further reduce incident rates in the future.

# business and financial review continued

## our markets

Our markets are the US where we operate as Sunbelt and the UK where we operate as A-Plant

### The US

Sunbelt provides nationwide coverage for equipment rental through a network of 356 stores. We now operate in 44 of the top 50 metropolitan service areas and have clustered operations in 29 of those markets. We have 6,200 employees and \$2.2bn in fleet. Both our customer base and fleet are highly diversified to avoid overexposure to economic cycles in any one area. Our customers are numerous and diverse and we have more of a focus on local and mid-sized contractors than our competitors. We believe this provides a useful level of diversification into sectors that offer higher rates of return. We are increasing further our level of diversification through the expansion of our specialty service offerings: pump and power and scaffold services and through our focus on remediation and restoration markets. We aim to add significantly to our specialty locations in coming years as these support valued customer requirements and differentiate us from our competition.

Nonetheless, a majority of our customers still come from the construction sector which has had a difficult few years but where leading indicators are now beginning to show signs of improvement. We expect US non-residential construction, our largest end market, to pass the inflection point in 2011 with growth accelerating in 2012 and 2013. Since 2007 we have seen a much larger decline in construction than during the last recession and we are now at historically low levels of activity.

Again, like last time, most commentators are anticipating a residential led recovery, particularly in the multi-family apartment sector which offers proportionately greater opportunity for our services relative to single family home construction. While we are optimistic of a return to growth, we are also aware that continuing issues such as high unemployment and at times, tight availability of finance, will mean that it will likely be several years before total construction volumes begin to regain earlier peaks. However, as mentioned elsewhere in this report, Sunbelt is in a much stronger position now than when it came out of the last recession to capitalise on a return to growth. We believe that because of this and with the benefit of greater rental penetration and market share gains, as discussed above, Sunbelt can regain its peak 2007/8 profit levels on significantly lower levels of end market activity than existed in 2007 and 2008.

### Competitors

The US rental market remains highly fragmented and has much lower penetration at 40%, than the 70% seen in the UK. However, despite market consolidation, our main national competitors remain the same as in previous years and are as shown below.

	No. of stores	US revenue (\$bn)	Approx market share
United Rentals	445	1.9	8%
Sunbelt	356	1.2	5%
RSC	429	1.2	5%
Hertz Equipment Rental Company	218	0.9	4%

Source: Based on reported results 12 months to 31 March 2011 and Ashtead estimates

All three of our competitors are listed companies like ourselves and have similar fleet composition and national reach. However, we believe our model enables us to reach a somewhat broader range of customers than our other large peers. This means that we compete as frequently with regional and local competitors as we do with the other national networks.



## The UK

Our UK business, A-Plant, operates in a market which currently has different and still recessionary characteristics although our range of equipment and customer base are similar to those Sunbelt enjoys in the US. The UK is a much more mature rental market where rental penetration is estimated to be fairly stable at around 70%. At 30 April 2011 A-Plant had 106 stores and 1,900 staff.

Whilst A-Plant has performed relatively well through the recession, absolute levels of profitability in the UK remain low and several competitors are still loss making. We believe A-Plant is well positioned in the current market, given its emphasis on both the utility and infrastructure markets (power, water, sewerage and roads) and major projects such as nuclear decommissioning and the Olympics. Fleet on rent has improved throughout the year and we continue to see strong levels of physical utilisation. Yield has also improved but the overall levels of return throughout the industry remain disappointing.

Given the general uncertainty about the path of the UK economic recovery, there has to be less confidence regarding the timing of a recovery in UK end construction markets which we believe may not come about in any meaningful way until 2013 or beyond. However, there are now reasons to be hopeful that we are at or near the bottom of our rental market. Although competitors initially reacted more slowly to recession in the UK than we saw in the US, the level of reduction in rental fleet size across the UK rental market is now, we believe, greater than in the US which will undoubtedly help.

As discussed in the Chairman's statement, we believe that a prolonged period of challenging end markets will also help address the excessive level of participants which has existed in the UK rental industry for at least the past decade, and will ultimately lead to a position where A-Plant will deliver an attractive level of return. Therefore we remain committed to the UK market as we believe that, from both a market and financial position, we are well placed. In the short term, however, returns are likely to remain relatively low without structural change.

The UK plant and tool market is not well researched but AMA Research Limited's most recent market survey is shown above.

### Competitors

A-Plant is third largest equipment rental businesses in the UK with its key peers being shown in the table below.

	No of stores	Revenue (£m)	Approx market share
Speedy Hire UK	327	304	8%
HSS	222	176	5%
A-Plant	106	166	4%
Hewden	63	121	3%
Lavendon UK	44	112	3%

Source: Latest available financial information and Ashtead estimates. Speedy UK adjusted for the sale in April 2011 of its accommodation business.

# business and financial review continued

## how we work with customers

As mentioned elsewhere, our customers come in all shapes and sizes and projects are of various durations. In the year to April 2011, Sunbelt dealt with over 480,000 customers, wrote 1.5m rental contracts with an average value of \$570 per contract and issued over 2m invoices. A-Plant, though smaller, is almost as diverse. In 2010/11 it dealt with over 24,000 customers, wrote 333,000 rental contracts with an average value of £385 per contract and issued 764,000 invoices.

While many of the sites we work on are large, multi-year, billion dollar construction projects, our customers will typically be contractors, subcontractors and even sub-subcontractors, rather than the site manager or owner. We like to build long-term relationships with our customers, the biggest of whom we service on a national basis whether in the UK or the US. Our excellent customer service means that we generate a lot of repeat business. Here we describe some of the ways in which we work with our customers.

### **Disaster relief**

We are often involved in disaster relief through our specialist Pump and Power division.

- In April 2011, a massive storm system developed in the southern United States. The system formed fierce tornadoes that reduced many neighbourhoods to rubble and killed around 350 people across seven states. Alabama suffered the most with Tuscaloosa being hit by an extremely large and destructive tornado, one of 226 that occurred within a 24 hour period according to US Government estimates. We were inundated with calls for help. Sunbelt set up a fully functional call centre as the storms broke, staffed with four customer service representatives working around the clock. We mobilised 55 delivery trucks in 10 days bringing equipment into Alabama from as far away as 1,000 miles. These trucks brought in standby power generators ranging in size from 20kW–1,500kW which were quickly deployed to keep the state moving and to facilitate the recovery. Our local general equipment stores were also extremely busy and the total amount of fleet managed out of our Birmingham, Alabama stores tripled to over \$10m. One of our rental stores in Birmingham suffered extensive wind damage but continued to operate at full capacity throughout.

- In May 2011, steady rains, added to the seasonal snow melt, resulted in the Mississippi River rising high enough to reach historic flood heights all along the river. In an effort to avoid flooding populated areas, the Army Corps of Engineers intentionally broke a Mississippi River levee and flooded hundreds of acres of farmland in Missouri. Sunbelt was contacted by the Army Corps of Engineers to set up a pumping system down river from New Madrid, Missouri to pump water from the flooded farmland back into the river. Sunbelt mobilised a team consisting of 10 experts who coordinated, delivered and set up a system that included five 18" Quiet Flow Diesel Trash Pumps, valves and the HDPE piping used for suction and discharge. Forklifts and light towers were also included in the total package. The final system pumped water from the flooded farmland over the levee and back into the Mississippi downstream from the populated area at a rate of 45,000 gallons per minute. The system ran 24 hours per day with monitoring and refuelling services provided by Sunbelt's staff.

### **Sole supplier contracts**

In both the UK and the US, we often work with some of the largest contractors on an exclusive basis. For example, we have recently negotiated a three-year extension to our sole supplier agreement with one of the UK's leading contractors. The renewed agreement covers our entire range of UK hire products including general plant, air powered tools and specialist products such as falsework and formwork, powered access, power generation and welding equipment.

In the US we recently won a two-year sole supply deal for all Duke Energy's rental needs in the US including those of external subcontractors working on Duke facilities. Duke Energy Corporation is the largest energy holding company in the US operating in franchised electric and gas services, generation services, telecommunications, commercial power and retail services.

### **Support for the US Army**

At an army training centre in Louisiana, we are working to support the US Army with troop training. This facility is one of the US Army's 'Dirt' Combat Training Centres resourced to train infantry brigade task forces in conditions as near as possible to those in the field. We are providing all power requirements for the temporary living and training structures built on the base to help acclimatise troops prior to deployment. We are also providing long-term support to the training centre and, as well as assigning three full-time staff members to the project, have established an on-site rental facility to ensure immediate availability of highly utilised equipment.

# project lifecycle

When we work on a large scale construction project, such as our work on the 2012 Olympics' site in east London, we often provide our full range of equipment throughout the duration of the project which may last for several years. From our perspective a typical project passes through five basic stages which can be described generically, together with the equipment provided at each stage, as follows:

# 1

## Site preparation

Preparing the temporary site area, accommodation units, traffic management, power and lighting, steel storage units and security fencing

# 2

## Site clearance, excavation and groundwork

Providing diggers, dumpers, piling and acrow to support main structures, trench shoring to deep drainage, potentially an on-site depot and possibly refuelling services

# 3

## Construction

Providing formwork and falsework to support concrete structures, powered access platforms, booms, telehandlers, survey equipment, dumpers, forklifts and concrete mixers

# 4

## Fit-out

Smaller tools to finalise site for end user, towers, scissor lifts, temporary heating, air-conditioning and power, forklifts and telehandlers

# 5

## Ongoing maintenance

Various equipment for any facility, health and safety support, aerial work platforms and smaller tools and equipment for facilities management and ongoing maintenance

# business and financial review continued

## principal risks and uncertainties

Our risk profile evolves as we move through the economic cycle. Set out below are the principal business risks that impact our business and operations today

Risk description	Potential impact	Strategy for mitigation
<b>Economic conditions</b>	The construction industry, from which we earn the majority of our revenue, is cyclical with construction industry cycles typically lagging the general economic cycle by between six and 18 months. Thus, while the US economy is showing signs of improvement, our end markets are still declining and we may not see a significant improvement in our demand until markets improve.	<ul style="list-style-type: none"> <li>• Prudent management through the different phases of the cycle</li> <li>• Flexibility in the business model maintained to ensure adaptability whatever the economic environment</li> <li>• Capital structure and debt facilities arranged in recognition of the cyclical nature of our main end market</li> </ul>
<b>Competition</b>	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.	<ul style="list-style-type: none"> <li>• Create commercial advantage by providing the highest level of service, consistently and at a price which offers value</li> <li>• Excel in the areas that provide barriers to entry to newcomers: industry-leading application of IT, experienced personnel and a broad network and equipment fleet</li> <li>• Regularly estimate and monitor our market share and track the performance of our competitors to ensure that we are performing effectively</li> </ul>
<b>Financing</b>	Debt facilities are only ever committed for a finite period of time and we need to plan to renew our facilities before they mature. If we were unable to complete this, there would be a default at maturity which could give lenders the right to assume control of our business or to liquidate our assets in order to recover their loan. Our loan agreements also contain conditions (known as covenants) with which we must comply.	<ul style="list-style-type: none"> <li>• Maintain conservative 2-3 times net debt to EBITDA leverage which helps minimise our refinancing risk</li> <li>• Maintain long debt maturities – currently five years following March's ABL refinancing</li> <li>• Use of asset-based senior facility means none of our debt contains quarterly financial covenants when excess availability (\$479m at year end) exceeds \$168m</li> </ul>
<b>Business continuity</b>	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 of customers we deal with over the course of a year. A serious uncured failure in our point of sale IT platforms would have an immediate impact on our business, rendering us unable to record and track our high volume, low transaction value operations.	<ul style="list-style-type: none"> <li>• Robust and well-protected data centres with multiple data links to protect against the risk of failure</li> <li>• Detailed business recovery plans which are tested periodically</li> <li>• Separate near-live back-up data centres which are designed to be able to provide the necessary services in the event of a failure at the primary site</li> </ul>

Risk description	Potential impact	Strategy for mitigation
<b>People</b>	<p>Retaining and attracting good people is key to delivering superior performance and customer service</p> <p>Excessive staff turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and would ultimately impact our financial performance adversely</p>	<ul style="list-style-type: none"> <li>• Provide well-structured and competitive reward and benefit packages that ensure our ability to attract and retain the employees we need</li> <li>• Ensure that our staff have the right working environment and equipment to enable them to do the best job possible and maximise their satisfaction at work</li> <li>• Invest in opportunities for our people to enhance their skills and develop their careers to the mutual benefit of both them and the Group</li> </ul>
<b>Health and safety</b>	<p>Accidents happen which might result in injury to an individual, claims against the Group and damage to our reputation</p>	<ul style="list-style-type: none"> <li>• Maintain appropriate health and safety policies and procedures to reasonably guard our employees against the risk of injury</li> <li>• Induction and training programmes reinforce health and safety policies</li> <li>• Programmes to support our customers exercising their responsibility to their own workforces when using our equipment</li> </ul>
<b>Compliance with laws and regulations</b>	<p>Failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty</p>	<ul style="list-style-type: none"> <li>• Maintaining a legal function to oversee management of these risks and to achieve compliance with relevant legislation</li> <li>• Group-wide ethics policy and whistle blowing arrangements, by which employees may, in confidence, raise concerns about any alleged improprieties</li> <li>• Policies and practices evolve to take account of changes in legal obligations</li> <li>• Training and induction programmes ensure our staff receive appropriate training and briefing on the relevant policies. Competition law and the new UK Bribery Act were a particular focus this year</li> </ul>
<b>Environmental</b>	<p>We could fail 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 at our sites as well as sites to which we send hazardous wastes for disposal or treatment regardless of fault, and also fines and penalties for non-compliance</p>	<ul style="list-style-type: none"> <li>• Policies and procedures in place at all our stores regarding the need to adhere to local laws and regulations</li> <li>• Procurement policies reflect the need for the latest available emissions management and fuel efficiency tools in our fleet</li> <li>• Monitoring and reporting of carbon emissions</li> </ul>

# business and financial review continued

## financial review

### Trading

	Revenue		EBITDA		Operating profit	
	2011	2010	2011	2010	2011	2010
Sunbelt in \$m	<b>1,224.7</b>	1,080.5	<b>388.2</b>	350.8	<b>162.1</b>	116.6
Sunbelt in £m	<b>782.7</b>	674.5	<b>248.1</b>	219.0	<b>103.6</b>	72.7
A-Plant	<b>165.8</b>	162.3	<b>43.1</b>	42.0	<b>2.7</b>	1.8
Group central costs	—	—	<b>(7.4)</b>	(5.9)	<b>(7.5)</b>	(6.0)
Continuing operations	<b>948.5</b>	836.8	<b>283.8</b>	255.1	<b>98.8</b>	68.5
Net financing costs					<b>(67.8)</b>	(63.5)
<b>Profit before taxation, exceptionals, remeasurements and amortisation</b>					<b>31.0</b>	5.0
Exceptional items (net)					<b>(21.9)</b>	(2.2)
Fair value remeasurements					<b>(5.7)</b>	5.5
Amortisation					<b>(1.7)</b>	(2.5)
Profit before taxation					<b>1.7</b>	5.8
Taxation					<b>(0.8)</b>	(3.7)
Profit attributable to equity holders of the Company					<b>0.9</b>	2.1
<b>Margins</b>						
Sunbelt			<b>31.7%</b>	32.5%	<b>13.2%</b>	10.8%
A-Plant			<b>26.0%</b>	25.9%	<b>1.6%</b>	1.1%
Group			<b>29.9%</b>	30.5%	<b>10.4%</b>	8.2%

These results reflect a significant improvement in our business despite continued weakness in end construction markets. Group revenue improved by 13% (11% at constant exchange rates) to £949m (2010 £837m) reflecting strong growth in fleet on rent and yield in the US. This revenue growth, continued cost control and the business improvement programmes initiated over the last two years combined to generate underlying pre-tax profits of £31m for the year (2010 £5m).

Rental revenue grew 10% in Sunbelt to \$1,084m (2010 \$989m) reflecting a 5% increase in average fleet on rent, 3% growth in yield and a first-time contribution from Empire Scaffold which was acquired in January. Sunbelt's total revenue growth of 13% was enhanced by higher used equipment sales revenue as we began the cyclical reinvestment in our fleets and hence sold more used equipment. A-Plant's total revenue growth was 2% including 1% growth in rental revenue to £154m (2010 £152m). Its average fleet on rent grew 2% whilst yield declined by 1%.

Both Sunbelt and A-Plant demonstrated improving trends through the year which is reflected in fourth quarter performance. Sunbelt's Q4 rental revenue growth was 19% reflecting 6% growth in fleet on rent, 6% yield improvement and a first-time contribution from Empire. A-Plant's rental revenue growth in Q4 was 6% reflecting 4% yield growth and 2% growth in fleet on rent.

The improvement in our revenue and profit this year brought about some one-time cost increases as sales commission and staff incentives recovered from last year's depressed levels. Fuel costs also rose rapidly with the increasing oil price. However, tight cost control was maintained throughout the year which ensured that operating costs before depreciation and used equipment sold rose more slowly than rental revenue in both businesses. For the Group as a whole, operating costs (before depreciation and used equipment sold) rose by 7%, at constant exchange rates, to £610m.

Margins were impacted by significantly higher, but inherently lower margin, used equipment sales revenue this year of £61m (2010 £27m). Despite this, full year EBITDA margins were 32% in Sunbelt (28% at the low point of the last cycle in 2003) and 26% at A-Plant. For the Group as a whole the full year EBITDA margin was 30% (2010 30%).

Depreciation expense declined 3% at constant rates to £185m reflecting the smaller average fleet size in the past fiscal year. This, and the factors discussed above meant that the underlying operating profit for the year rose to \$162m (2010 \$117m) in Sunbelt and £3m in A-Plant (2010 £2m).

Reflecting these operating results, Group EBITDA before exceptional items grew by £29m or 9% at constant rates to £284m (2010 £255m) whilst the Group's underlying operating profit grew 41% at constant rates to £99m (2010 £68m).

Following the refinancing of our asset-based senior loan facility ('ABL facility') in November 2009, higher interest margins and an adverse translation effect from the stronger dollar meant there was an increase in the net financing cost for the year to £68m (2010 £63m) despite lower average debt levels. After interest, the underlying profit before tax for the Group increased to £31m (2010 £5m). The tax charge for the year was again stable at 35% of the underlying pre-tax profit, with underlying earnings per share increasing to 4.0p (2010 0.2p).

### Exceptional items and statutory results

There were no exceptional charges relating to operations this year or last. Instead, as previously reported, the exceptional charges of £22m incurred this year were all attributable to financing matters and comprised a £15m non-cash write-off of the unamortised deferred financing costs on the debt facilities renewed or redeemed in the year (the ABL facility following its renewal in March 2011 and the \$250m 8.625% senior secured notes redeemed in April 2011) and an early redemption fee of £7m on the notes.

After these exceptional finance charges, a non-cash charge of £6m relating to the remeasurement to fair value of the early prepayment option in our long-term debt and amortisation of acquired intangibles of £2m (2010: £2m), the reported profit before tax for the year was £2m (2010: £5m) whilst basic earnings per share was 0.2p (2010: 0.4p).

### Dividends

Reflecting our policy of setting dividend levels in light of both profitability and cash generation at a level that is sustainable across the cycle, the Board is recommending a final dividend of 2.07p per share (2010: 2.0p) making 3.0p for the year (2010: 2.9p).

Payment of the 2010/11 dividend will cost £14.9m in total and is covered 1.3 times by underlying earnings. Whilst this coverage ratio is still quite low, given the cyclical nature of the Group's earnings, the Board is comfortable that the proposed dividend level is appropriate. If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 9 September 2011 to shareholders on the register on 19 August 2011.

### Current trading and outlook

The momentum we established throughout the past year has carried forward into May with encouraging levels of fleet on rent and yield growth. For the month, rental revenue grew by 21% in Sunbelt, measured in dollars, and by 11% in A-Plant.

Looking forward we remain cautious over the outlook for end construction markets in the short term, particularly in the UK. However, we continue to benefit from the structural shift to rental, market share gains and the improvements we have established in all key areas of our business. Together with our balance sheet strength and strong market positions, this makes us confident of another year of good progress.

### Balance sheet

#### Fixed assets

As we began the cyclical reinvestment in our rental fleets, capital expenditure in the year rose to £225m (2010: £63m) of which £202m was invested in the rental fleet (2010: £56m). Disposal proceeds totalled £65m (2010: £32m) giving net expenditure of £160m (2010: £31m).

Expenditure on rental equipment was 90% 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:

	2011	2010
Sunbelt in \$m	295.0	69.6
Sunbelt in £m	176.9	45.5
A-Plant	25.5	10.1
Total rental equipment	202.4	55.6
Delivery vehicles, property improvements and computers	22.4	7.8
Total additions	224.8	63.4

This year capital expenditure was principally for replacement.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2011 was 44 months (2010: 44 months) on a net book value basis. Sunbelt's fleet had an average age of 44 months (2010: 46 months) comprising 47 months for aerial work platforms which have a longer life and 39 months for the remainder of its fleet, while A-Plant's fleet age was similar at 42 months (2010: 36 months).

As we continue to prepare for the next phase of the cycle, we expect next year's capital expenditure to increase further to around 175% of depreciation or around £325m gross. Because most of this expenditure will be fleet replacement, we anticipate disposal proceeds growing further and hence expect net expenditure of about £250m in 2011/12, a significant increase on this year's net £160m. We anticipate that expenditure at these levels will see Sunbelt's fleet age reduce a little next year which we expect to be sufficient to ensure it remains competitive relative to its larger peers and offers an advantage when we are competing in local markets.

The original cost of the Group's rental fleet and the dollar and physical utilisation for the year ended 30 April 2011 is shown below:

	Rental fleet at original cost			LTM rental revenue	LTM dollar utilisation	LTM physical utilisation
	30 April 2011	30 April 2010	LTM average			
Sunbelt in \$m	2,151	2,094	2,121	1,084	51%	68%
Sunbelt in £m	1,289	1,368	1,271	693	51%	68%
A-Plant	343	321	330	154	47%	69%
	1,632	1,689	1,601	847		

Dollar utilisation is defined as rental revenue divided by average fleet at original (or 'first') cost and, in the year ended 30 April 2011, was 51% at Sunbelt (2010: 47%) and 47% at A-Plant (2010: 48%). 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 2011, was 68% at Sunbelt (2010: 64%) and 69% at A-Plant (2010: 69%). At Sunbelt, physical utilisation is measured only for equipment with an original cost in excess of \$7,500 which comprised 90% of its fleet at 30 April 2011.

# business and financial review continued

## financial review

### Trade receivables

Receivable days at 30 April 2011 were 46 days (2010: 45 days). The bad debt charge for the year ended 30 April 2011 as a percentage of total revenue was 0.8% (2010: 1.2%). Trade receivables at 30 April 2011 of £132m (2010: £114m) are stated net of provisions for bad debts and credit notes of £14m (2010: £16m) with the provision representing 9.4% (2010: 12.0%) of gross receivables.

### Trade and other payables

Group payable days were 57 days in 2011 (2010: 88 days) with capital expenditure-related payables, which have longer payment terms totalling £58m (2010: £28m). 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 (2010: £41m) 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 £150m 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 £2m (2010: £1m). Amongst these, the Group has one defined benefit pension plan which covers approximately 125 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, £6m in surplus at 30 April 2011 (2010: £7m in deficit). The investment return on plan assets exceeded the expected return by £4m and there was an experience gain on liabilities of £2m. In addition, during the year we adopted a number of 'best estimate' refinements to the methods used for estimating inputs to the actuarial calculation such as the proportion of plan members who opt for cash commutation at retirement and more relevant mortality assumptions. These assumption changes were first agreed by the plan trustees with the plan actuary during preparation of the triennial valuation of the plan at 30 April 2010. Also, we moved to CPI for revaluation of deferred pensions rather than RPI following the change implemented by the government. In aggregate these changes delivered a net reduction in year end plan liabilities of £6m. Overall, there was a net actuarial gain of £13m 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. The April 2010 valuation, which was completed last October, showed a small deficit of £2m which is being cleared over the five years to April 2015 through additional contributions of £0.4m per annum.

### 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.

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 reclassification of certain US intercompany debt in those years from debt to equity and its consequent recharacterisation of US interest payments to the UK as equity-like distributions. The revised assessments would result in additional net tax payments due of \$32m together with interest and penalties of \$13m. Detailed protest letters setting out the reasons why we disagree with these assessments and believe that no adjustment is warranted were submitted to the IRS on 29 March 2011.

If, contrary to our view, the IRS prevailed in its arguments the Group has been advised that application to the UK tax authorities under the Competent Authority procedure should enable a corresponding adjustment reducing UK intercompany interest receivable and hence UK tax to be agreed. Taking account of this UK offset, the estimated impact of the IRS's proposed adjustments at 30 April 2011 would be to increase current tax payable by £27m, current tax receivable by £7m, deferred tax liabilities by £51m and deferred tax assets by £43m, while shareholders' equity would reduce by approximately £28m.

Having taken external professional advice, the directors consider that the adjustments proposed by the IRS audit team have no merit and intend to defend this position vigorously. Whilst the procedures that have to be followed to resolve this sort of tax issue make it likely that it will be some years before the eventual outcome is known, the Board does not anticipate this matter having any material impact on the Group's results or financial position.

### Cash flow

	Year to 30 April	
	2011 £m	2010 £m
<b>EBITDA before exceptional items</b>	<b>283.8</b>	<b>255.1</b>
<b>Cash inflow from operations before exceptional costs and changes in rental equipment</b>	<b>279.7</b>	<b>265.6</b>
Cash conversion ratio	98.6%	104.1%
Maintenance rental capital expenditure paid	(182.2)	(36.1)
Payments for non-rental capital expenditure	(20.4)	(6.7)
Rental equipment disposal proceeds	55.0	26.8
Other property, plant and equipment disposal proceeds	4.5	4.0
Tax (paid)/received – net	(4.3)	0.3
Financing costs paid	(66.7)	(54.7)
<b>Cash flow before payment of exceptional costs</b>	<b>65.6</b>	<b>199.2</b>
Exceptional costs paid	(12.0)	(8.2)
<b>Total cash generated from operations</b>	<b>53.6</b>	<b>191.0</b>
Business acquisitions	(34.8)	(0.7)
<b>Total cash generated</b>	<b>18.8</b>	<b>190.3</b>
Dividends paid	(14.6)	(12.8)
Share buybacks and other equity transactions (net)	(0.4)	–
<b>Decrease in net debt</b>	<b>3.8</b>	<b>177.5</b>

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



Cash inflow from operations before exceptional items and changes in rental equipment grew 5% to £280m. As end markets recovered leading to increased profits on sale of fixed assets (which are included in EBITDA but not in cash inflow from operations) and slightly higher working capital, the cash conversion ratio reverted to a more normal level of 98.6% compared to the unusually high ratio of 104.1% achieved last year during the recession.

Total payments in the year for capital expenditure (rental equipment and other PPE) were £202m, a little below the £225m of capital expenditure delivered in the year due to the impact of supplier payment terms. Disposal proceeds received totalled £59m giving net payments for capital expenditure of £143m in the year (2010: £12m).

After financing costs paid of £67m, tax paid of £4m and exceptional costs of £12m (£5m of closed property costs originally provided in 2008/9 and the £7m early redemption fee on the \$250m 8.625% senior secured notes redeemed in April 2011) the Group generated £54m of net cash inflow in the year (2010: £191m).

£35m of this net inflow was spent on acquisitions whilst £15m was distributed to shareholders through dividends and share purchases by our ESOT. The remaining £4m was applied to lower outstanding debt.

### 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 2011 our pre-tax average cost of capital was around 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, having regard to both profits and cash generation while seeking to keep to a level that is sustainable over the cycle.

#### Net debt

The chart below shows how, measured at constant April 2011 exchange rates for comparability, we held 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 the past year, as we stepped up our net capital expenditure once again in anticipation of recovery, net debt at constant exchange rates remained broadly flat.

In greater detail, closing net debt at 30 April 2011 comprised

	2011 £m	2010 £m
First priority senior secured bank debt	467.1	367.5
Finance lease obligations	3.0	3.5
8.625% second priority senior secured notes, due 2015	–	160.2
9% second priority senior secured notes, due 2016	324.4	352.6
	<b>794.5</b>	<b>883.8</b>
Cash and cash equivalents	(18.8)	(54.8)
<b>Total net debt</b>	<b>775.7</b>	<b>829.0</b>

All our debt at both 30 April 2010 and 2011 was drawn in dollars providing a substantial but partial natural hedge against Sunbelt's dollar-based net assets.

The ratio of net debt to underlying EBITDA at constant rates was 2.9 times at 30 April 2011 (2010: 3.1 times) bringing this ratio back within our 2-3 times target range. This calculation uses Group EBITDA before exceptionals for the 2010/11 year of £268m calculated at 30 April 2011 exchange rates. At actual rates net debt leverage was 2.7 times at 30 April 2011 (2010: 3.2 times).

Our debt package remains well structured for the challenges of current market conditions. We retain substantial headroom on facilities which are committed for the long term, an average of 5.1 years at 30 April 2011, with the first maturity being on our asset-based senior bank facility which extends until March 2016. The weighted average interest cost of our debt facilities (including non-cash amortisation of deferred debt raising costs) is approximately 5.5%.

Financial performance covenants under the \$550m senior secured notes issues are only measured at the time new debt is raised. There are two financial performance covenants under the asset-based first priority senior bank facility:

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

These covenants do not, however, apply when availability (the difference between the borrowing base and facility utilisation) exceeds 12% of the \$1.4bn facility size or \$168m. At 30 April 2011 excess availability under the bank facility was \$479m (2010: \$537m). Consequently the Group's entire debt package is expected to remain effectively covenant free, as has been the case during each year since the current debt structure was adopted in 2004. Although the covenants were not therefore required to be measured at 30 April 2011, the Group was in compliance with both of them at that date, as it had been throughout the fiscal year.

# business and financial review continued

## financial review

### Debt facilities

The Group's principal debt facilities are as follows

#### Asset-based first priority secured bank debt

In March 2011, the first priority asset-based senior secured loan facility ('ABL facility') was renewed and now consists of a single \$1.4bn revolving credit facility committed until March 2016. The facility is non-amortising. Pricing for the renewed facility is based on the ratio of funded debt to EBITDA according to a grid which varies, depending on leverage, from LIBOR plus 200bp to 250bp. At 30 April 2011, the Group's borrowing rate was LIBOR plus 225bp, 100bp below the rate on the previous 2013 commitments.

As the 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 and was limited to \$1,276m (£765m) at 30 April 2011. \$823m was drawn

#### 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 2011 by year of expiry.

	Payments due by year ended 30 April					
	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	Thereafter £m
Bank and other debt	—	—	—	—	474.2	—
Finance leases	1.7	1.0	0.3	—	—	—
9.0% senior secured notes	—	—	—	—	—	329.7
	1.7	1.0	0.3	—	474.2	329.7
Deferred costs of raising finance	—	—	—	—	(7.1)	(5.3)
Cash at bank and in hand	(18.8)	—	—	—	—	—
Net debt	(17.1)	1.0	0.3	—	467.1	324.4
Operating leases <sup>1</sup>	33.9	28.7	24.3	19.9	15.4	61.6
Total	16.8	29.7	24.6	19.9	482.5	386.0
						959.5

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

Operating leases relate principally to properties, which constituted 99% (£183m) of our total minimum lease commitments.

Except for the off balance sheet operating leases described above, £16m (\$27m) of standby letters of credit issued at 30 April 2011 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 sterling 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 2011. At that date, dollar-denominated debt represented approximately 80% 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

under the facility at 30 April 2011 (including letters of credit totalling \$27m) which, including \$26m of eligible cash on hand, gave excess availability of \$479m.

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

On 15 August 2006, the Group, through its wholly owned subsidiary Ashtead Capital, Inc., issued \$550m of 9% second priority senior secured notes due 15 August 2016. The notes are secured by second priority security interests over substantially the same assets as the senior secured credit facility and are also guaranteed by Ashtead Group plc.

Under the terms of the notes, the Group is, subject to important exceptions, restricted in its ability to incur additional debt, pay dividends, make investments, sell assets, enter into sale and leaseback transactions and merge or consolidate with another company. Interest is payable semi-annually on 15 February and 15 August each year. The notes are listed on the Official List of the UK Listing Authority.

the currency mix of our profits currently prevailing and on current dollar debt levels and interest rates, every 1% change in the US dollar exchange rate would impact pre-tax profit by £0.4m.

### 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 2011. 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 33% of our total operating costs in the year ended 30 April 2011,
- 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 7% of our operating costs in the year ended 30 April 2011,
- other operating costs – comprised 38% of total costs in the year ended 30 April 2011. 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 22% of total costs in the year ended 30 April 2011

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 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 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 2011 was £185m.

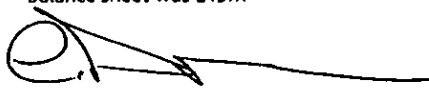
### Impairment of assets

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 2011, the total provision for self-insurance recorded in our consolidated balance sheet was £19m.



**Geoff Drabble**  
Chief executive  
15 June 2011



**Ian Robson**  
Finance director

# corporate responsibility report

**At Ashtead we are committed to running our business in a responsible and sustainable way. We have an obligation to ensure that our employees are safe and well looked after and that our business adheres to the highest ethical standards.**

We also look to offer assistance to our customers in fulfilling their responsibility to ensure their own employees are safe when using the equipment they rent from us. Alongside our equipment suppliers, we invest in providing information and training on the safe usage of our equipment. Our employees are our greatest asset and we seek to provide them with access to industry leading training and development programmes, as well as competitive pay and benefits and a rewarding work environment. In addition, we work hard to ensure that any negative impact of our operations on the environment is limited and we endeavour to contribute positively to the communities in which we operate our stores.

# corporate responsibility report

## We are committed to running our business in a responsible and sustainable way

### How we manage corporate responsibility

We manage our Group environmental, health and safety and risk management processes through our Group Risk Committee which reports to the Group chief executive and the Audit Committee. This committee ensures that the efforts of Sunbelt and A-Plant are coordinated so that best practice in one business can be shared and adopted by the other.

The Committee is chaired by an executive director of Ashtead Group plc, currently our Finance Director, Ian Robson, with its other members being:

- 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 details of the areas identified in the year as requiring improvement and the status of actions being taken to make the necessary improvements. In this way we are able to ensure that there is an effective 'chain of command' within the business in relation to environmental, health and safety and risk management issues.

### Health and safety

Because of the nature of our business, health and safety concerns need to be at the heart of how we operate. Our business involves frequent movement and maintenance of large and heavy pieces of equipment. Rigorous safety processes are essential if we are to avoid accidents which could cause injury to our people and damage our reputation.

Our industry is subject to many legislative and regulatory obligations. Some of these, as they relate to stricter health and safety requirements, help change the way equipment is procured on construction sites to our advantage. This is because what may quickly become onerous for contractors, where maintenance and safe operation of equipment may not be their prime or even secondary focus, is a fundamental part of our business. We take our health and safety commitments extremely seriously and believe that if our stores were to fail to adhere to the high standards we set in our policies and procedures, we might lose our competitive advantage as a leader in the equipment rental industry.

Therefore, we have extensive programmes in place to develop and maintain safe working practices across the Group and to remind our employees of the need to be safe at all times. We also spend significant time drawing our customers' attention to the importance of these issues for their own employees. A copy of the relevant formal statement of Sunbelt's and A-Plant's policies on health and safety is required to be displayed at each store. We make a considerable annual investment in ensuring that our rental equipment meets or exceeds the latest safety standards, as well as providing health and safety advice and materials, as and when required, along with each rental.

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.

# corporate responsibility report continued

We maintain sizeable internal health and safety teams to ensure that the appropriate health and safety 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.

The main way that we track health and safety across the business is by the number of reported incidents that occur during the course of our work. As reported above, this is also one of our key performance indicators. Over the last year, Sunbelt (excluding Empire) had 388 reported incidents relative to an average workforce of 5,348 (2010: 414 incidents relative to a workforce of 5,675) whilst the UK had 281 incidents relative to an average workforce of 1,921 (2010: 318 incidents relative to an average workforce of 1,976). An incident for this purpose does not necessarily mean that an employee was hurt or injured. Rather, it represents an event that we track and report for monitoring and remedial purposes under our health and safety management policies.

Legislation in the US and UK defines reportable incidents under rules which differ between the two countries. Under these definitions which generally encompass more incidents in the US than in the UK, Sunbelt (excluding Empire) had 184 OSHA (Occupational Safety and Health Administration) recordable incidents (2010: 231 incidents) which, relative to total employee hours worked, gave a Total Incident Rate of 2.72 (2010: 3.21). In the UK, A-Plant had 40 RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995) reportable incidents (2010: 63) which, relative to total employee hours worked, gave a RIDDOR reportable rate of 0.95 (2010: 1.52).

In the US, an OSHA recordable incident is one where medical attention more extensive than simple first aid is required whereas in the UK a RIDDOR reportable incident (as defined by the UK Health and Safety Executive) is an incident which results in the injured employee being unable to complete his normal duties or being off work for more than three days. In order to compare accident rates between the US and UK, Sunbelt also applies the UK RIDDOR definition to its accident population which gave a figure this year of 115 RIDDOR recordable accidents in the US. On a like-for-like basis in the year ended April 2011, Sunbelt therefore had a RIDDOR recordable accident rate of 0.85, slightly better than A-Plant's rate of 0.95.

Regular employee education and awareness training is, in our view, the most effective way of improving and sustaining safety standards across our businesses and both businesses continue to invest in providing these programmes. We also seek continually to educate our employees and our customers about new and improved methods to ensure employees operate in a safe environment.

For example, over the last few years Sunbelt has sought to reduce employee incidents and injuries through a comprehensive combination of proactive leadership training, enhanced safety programmes/training, and improved incident response/investigation. During the latter part of 2010/11, the third instalment of the 'Safety Leadership Training Series' was delivered to all store managers, district managers, regional vice presidents, and select members of management from other departments such as, but not limited to, equipment service and transportation dispatch. The purpose of this training was to reinforce the role our operational leaders hold in establishing and enhancing a 'Culture of Safety' and to ensure they are equipped to fulfil this role. In addition, a refresher course on Decision Driving has been rolled out to all Sunbelt drivers and store managers to reinforce safe driving practices.

In the UK, we concentrated this year on improving safety particularly amongst our delivery truck drivers, by monitoring speeds remotely and fitting speed limiters to all newly acquired vehicles. We monitor weekly reports on driver behaviour and are working to increase awareness of the importance of safe driving within legal speed limits. In addition, all new drivers are required to attend a 4½ day training programme at our own driver training centre in Nottingham. The work done so far has significantly reduced accidents leading to lower repair and insurance costs as well as reducing the risk of serious on-road accident and injury.

## Vehicle Fall Protection System

Another initiative in recent years in the UK was the development and launch of our Vehicle Fall Protection System ('VFPS') to protect our drivers when loading and unloading equipment from our delivery trucks. The need for this arises because in the UK it is typical to use raised bed delivery trucks whereas, in the US, low loaders are more typically used for equipment deliveries. VFPS comprises a walkway down each side of the vehicle, allowing the driver to safely load equipment when it is of similar width to the vehicle and is simple to deploy. VFPS is already getting a good response within the industry and is further evidence of our commitment to the health and safety of our staff.

We are pleased to report that this year our UK incident rate has decreased to levels consistent with previous experience. As we reported at the time, the increase in UK incidents last year did not reflect a reduced focus on health and safety matters, however it is reassuring that previous norms have now been regained.

## Ethics

Ashtead aims to have the highest ethical standards in its operations and has a Group-wide ethics policy which is communicated through Sunbelt's and A-Plant's employee communication programmes to all employees

In addition we have a Group entertainment policy which sets out expectations in this area. Both businesses have in place whistle blowing arrangements, by which employees may, in confidence, raise concerns about any alleged improprieties. We have extensive training and induction programmes to ensure our staff receive the appropriate training and briefing on relevant ethics-related policies.

This year we have completed extensive training in preparation for the new UK Bribery Act. We rolled out our Competing Fairly training in December 2010 in both our UK and US businesses and we believe that all relevant staff (circa 2,000 employees) undertook the training. All new relevant employees will be required to undertake the training and it is likely that there will be annual refresher training for all those who have taken the training to date.

## Sunbelt Employee Relief Fund

The Sunbelt Rentals Employee Relief Fund originated as a NationsRent initiative and was set up in 2004 after Hurricane Charley severely affected a number of NationsRent employees and their families. It has now become part of our long-term strategy to assist our people through catastrophic financial hardship. The Fund is a public charity so contributions from employees, other individuals and businesses are tax deductible. Any employee who has been affected by a natural disaster or who is affected by any other catastrophic event such as terminal illness within their family, severe accident, trauma, fire or other loss that has caused financial hardship can apply for assistance from the Fund. Applications are then assessed by the Fund Awards Advisory Panel which makes an award recommendation based on the loss sustained and the funds available.

## Employees

We are a service business and we differentiate ourselves by the strength of our service offering. Our employees are a key component of our competitive advantage because they provide our high levels of customer service. At 30 April 2011, we had 8,100 employees across the Group, 6,200 in the US and 1,900 in the UK.

## Reward and benefits

We place enormous value on the welfare and job satisfaction of our employees. Our staff are rewarded through a combination of competitive pay and attractive incentive programmes. These help us attract and retain good people. In addition to their core benefits, including pension and life insurance arrangements, our UK staff enjoy a wide range of personal benefits known as the Advantages programme through which they can get discounts on a wide range of products and services. Both businesses have an employee assistance helpline which offers free confidential support and advice to those in need.

## Building the Ronald McDonald House in Charlotte, NC

There are more than 280 Ronald McDonald Houses operating worldwide offering support and care to families struggling with sick children. With two major children's hospitals within a few miles of each other, Charlotte, the headquarters of Sunbelt in the US, was an ideal place for a new Ronald McDonald House. Sunbelt has been the sole rental equipment provider for the new centre and has donated more than \$164,000 of equipment rentals to date.

# corporate responsibility report continued

Our employees benefit from extensive on-the-job training schemes and are incentivised to deliver superior performance and customer service. We pride ourselves on many of our staff remaining with us throughout 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.

## **Recruitment**

The recession of the last few years has meant that our recruitment levels have been lower than before, except for our UK apprenticeship programme which is discussed further below. That situation is now changing both in the US and in the UK and we anticipate recruitment levels rising once again as it is probably inevitable that we shall see some increase in staff turnover as the economy improves. In the UK we are now able to recruit extensively through <http://www.aplant.jobs> whilst similar web-based application routes are being evaluated for the US.

## **Diversity and equal opportunities**

We are committed to ensuring equal opportunities for all our staff, as well as to 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. In the UK, we predominantly recruit from the areas immediately around our facilities. This meant that we were well prepared to meet the local recruitment requirements that we signed up to when we were appointed a rental provider to the Olympic site in east London.

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 by its nature still a predominantly male workforce given that work at our rental stores often involves lifting heavy equipment, but nonetheless, we have women at all levels in both the US and UK. For example, we have 10 female store managers and 12 female sales executives in the UK, as well as three women on our apprenticeship programme. In the US, amongst our management team, our finance director, HR director, head of risk and our legal counsel are all women. We also have eight female store managers and 106 female sales executives. 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. This year, in the UK, as part of our move towards online recruitment, we are also beginning to gather ethnicity data as part of the recruitment process. 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 the UK, both A-Plant's chief executive and its marketing director are of Asian descent.

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

## **Training**

Having a skilled and qualified workforce provides us with differential advantages in the equipment rental business. We pride ourselves on having a highly skilled workforce with particular emphasis placed on the responsibilities of our store managers and workshop foremen to facilitate on-the-job training. There are also each year a number of more formal initiatives, some of which have already been referred to earlier in this report.

## **Apprenticeship programme**

We believe that A-Plant's apprenticeship programme is one of the most successful in our industry and it is one which we have protected in the last three years of cost reduction. This year we recruited 24 apprentices, split into three categories – plant maintenance apprentices, customer service apprentices and driver apprentices and now have 57 apprentices in all. During the programme the plant maintenance apprentices undertake some residential training in modules offered by A-Plant's training partner, Reaseheath College in Cheshire. 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.

## **Sunbelt University**

In the US, while we do not have an apprenticeship programme, we have very broad-based ongoing training for staff. For example, our 'Sunbelt University' offers over 150 different online training modules for staff to complete. In the US this year we began implementing a Sales Leadership Foundation programme for senior store and district leadership to improve the consistency in our sales processes and encourage more open dialogue and communication to increase sales. The programme includes a series of five key sales management sessions following which the participants extend what they have learned across the whole sales team in their district.



## Environment

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

- the regular renewal of our rental fleets to ensure that the equipment we provide to our customers incorporates the latest environmental design available from our chosen manufacturers,
- our network of stores to ensure that they are adequately equipped to operate in a safe and secure way, protective of the environment. Key matters which are addressed in this programme are wash-down bays to collect and safely dispose of materials released when we inspect and clean equipment returned from rent, enclosed paint booths and spray shops to ensure that repainting of equipment can be conducted safely and securely, bunded fuel tanks and designated spill areas to ensure secure fuelling of our fleet and, where relevant, vehicles. We also seek to ensure 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,
- 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, and
- ensuring, wherever practicable, that we control noise in and around our depots so as not to unduly impact the communities immediately surrounding them.

We also 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 in line with Defra guidelines. Across the Group our estimated total CO<sub>2</sub> emissions in the year to 30 April 2011 were 165,000 tonnes (2010 181,000 tonnes). This comprised 141,000 tonnes at Sunbelt (2010 155,000 tonnes) and 24,000 tonnes for A-Plant (2010 26,000 tonnes).

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 are working on a number of initiatives to help us cut our emission levels, such as the vehicle speed reduction measures mentioned earlier. In addition, on big, long-term construction sites, we are increasingly placing pools of our equipment at the job site enabling equipment to be sourced on site and thereby reducing the site's overall transportation needs. We have also invested in developing the Auto Tool Hire Unit described on page 12, 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.

We have also made good progress this year in the UK on reducing our waste to landfill by significantly increasing the amount of waste that goes to recycling.



**Geoff Drabble**  
Chief executive  
15 June 2011

# our 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.

## 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.

## 4 Brendan Horgan

### Chief executive officer, Sunbelt

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

## 5 Sat Dhaliwal

### Chief executive officer, A-Plant

Sat Dhaliwal 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

## 6 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.

## 7 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.

## 8 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. He is a US citizen and lives in Columbus, Ohio.

## 9 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 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 2011

## 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 £1.7m (2010: £4.8m). 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 33 and in note 23 to the financial statements. These disclosures form part of this report. The Company paid an interim dividend of 0.93p per ordinary share in February and the directors recommend the payment of a final dividend of 2.07p per ordinary share, to be paid on 9 September 2011 to those shareholders on the register at the close of business on 19 August 2011, making a total dividend for the year of 3.0p (2010: 2.9p).

## 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 14 June 2011 (the latest practicable date before approval of the financial statements) are as follows:

	%
AEGON Asset Management	11
BlackRock, Inc	7
Aviva plc	5
Ameriprise Financial, Inc	5
Baillie Gifford	5
Legal & General	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 47 to 51. Details of all shares subject to option are given in the notes to the financial statements on page 72.

### 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 40 and 41. The policies related to their appointment and replacement are detailed on pages 44 and 45. 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 2011 was 57 days (30 April 2010: 88 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 £50,007 in total (2010: £138,991). No political donations were made in either year.

### Auditor

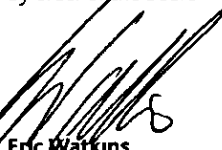
Deloitte LLP has indicated its willingness to continue in office and in accordance with section 489 of the Companies Act 2006, a resolution concerning its reappointment and authorising the directors to fix its remuneration, will be proposed at the Annual General Meeting.

### Annual General Meeting

The Annual General Meeting will be held at 2.30pm on Tuesday, 6 September 2011. Notice of the meeting is set out in the document accompanying this Report and Accounts.

In addition to the adoption of the 2010/11 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. The majority of these resolutions update for a further year similar resolutions approved by shareholders in previous years.

By order of the Board



Eric Watkins  
Company secretary  
15 June 2011

# corporate governance report

The revised Combined Code on corporate governance was published in June 2006 following a review by the Financial Reporting Council ('the Code'). The Company complied throughout the year with the provisions of the Code

In accordance with the UK Corporate Governance Code ('Corporate Governance Code') published by the Financial Reporting Council in May 2010, the entire Board of directors will retire and offer themselves for election or re-election, as appropriate, at this year's Annual General Meeting. The remaining provisions of the Corporate Governance Code apply to financial years beginning after 29 June 2010 and are therefore not applicable to the Company until the year ending 30 April 2012

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 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 page 41

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 individual meetings with major shareholders, to develop an understanding of the views of the investors in the business. He also ensures that shareholders have access to other directors, including non-executive directors, as appropriate

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

All directors are responsible under the law for the proper conduct of the Company's affairs. The directors are also responsible for ensuring that the strategies proposed by the executive directors are discussed in detail and assessed critically to ensure they 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 is the first Annual General Meeting since their appointment, Brendan Horgan and Ian Sutcliffe will offer themselves for election. The remaining directors, in accordance with the Corporate Governance Code, will retire at this year's Annual General Meeting and will offer themselves for re-election

## New Sunbelt chief executive

Brendan Horgan was appointed as the new chief executive of Sunbelt and as a director of Ashtead Group plc on 26 January 2011. In view of Brendan's experience of the US plant hire industry in general, and the Sunbelt operation in particular, the Nomination Committee considered that Brendan was best suited for the position as Sunbelt's chief executive

## 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

## 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, Ian Robson, and its director of financial reporting, Michael Pratt, normally attend the Committee's meetings, as do the chairman and chief executive, together with representatives of our internal and external auditors

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 2010, 31 October 2010 and 31 January 2011 and for the year ended 30 April 2011,

- the external audit plan and key areas of audit focus for the year ended 30 April 2011,
- reports from the external auditor, Deloitte, related to the results for the six months ended 31 October 2010 and the year ended 30 April 2011. 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. The Committee was satisfied as to the auditor's independence, objectivity and effectiveness,
- the internal audit plans for, and reports on, the programme of work for the year ended 30 April 2011,
- 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 the auditor's 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 2011 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 its 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'). PwC also provides internal audit and due diligence services to the Company but has confirmed to the Committee that this other work has no influence on its recommendations regarding remuneration matters.

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 2010 and 30 April 2011

	Board	Audit	Remuneration	Nomination
Number of meetings held	6	4	2	3
Chris Cole	6	—	—	3
Sat Dhaliwal	6	—	—	—
Geoff Drabble	6	—	—	3
Brendan Horgan <sup>1</sup>	2	—	—	—
Joe Phelan <sup>2</sup>	4	—	—	—
Ian Robson	6	—	—	—
Michael Burrow	6	4	2	3
Bruce Edwards <sup>3</sup>	6	—	1	3
Hugh Etheridge	6	4	2	3
Gary Icton <sup>4</sup>	2	2	1	2
Ian Sutcliffe <sup>5</sup>	5	2	1	1

1 Brendan Horgan was appointed a director by the Board on 26 January 2011.

2 Joe Phelan's appointment as a director was terminated on 25 January 2011.

3 Bruce Edwards was appointed to the Remuneration Committee with effect from 7 September 2010.

4 Gary Icton ceased to be a director of the Company on 7 September 2010.

5 Ian Sutcliffe was appointed a director by the Board on 7 September 2010.

#### 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 Internal Control: Guidance for Directors on the Combined Code ('the Turnbull Guidance').

The Board confirms that there is a process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place for the full financial year and is ongoing. 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 2011, which was then presented to, discussed by the Audit Committee on 12 May 2011 and approved by the Audit Committee and the Group Board on 13 June 2011.

# corporate governance report continued

Before producing the statement on internal control for the annual report and accounts for the year ended 30 April 2011, 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, including income statements for the Group and each subsidiary, balance sheet and cash flow statement,
- the preparation of an annual budget and periodic update forecasts which are reviewed by the executive directors and then by the Board,
- a programme of rental equipment inventories and full inventory counts conducted at each profit centre by equipment type independently checked on a sample basis by our operational auditors and external 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 33. In particular, the Group's financial management and cash flow, including details of the Group's banking facilities are set out on pages 30 to 32. 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 5.1 years as of 30 April 2011 with the earliest significant maturity being the renewed ABL facility which continues until March 2016. The Group finances its day-to-day activity via the ABL facility under which excess availability totalled \$479m at year end. 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  
15 June 2011



# 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 Regulations. The report has therefore been divided into separate sections for audited and unaudited information.

## Unaudited information

### Remuneration Committee

The Company has established a Remuneration Committee ('the Committee') in accordance with the recommendations of the Combined Code. The members of the Committee are 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,
- annual performance related bonus plan,
- Performance Share Plan awards, and
- pension arrangements.

In assessing all aspects of pay and benefits, the Company compares packages offered by similar companies, which are chosen having regard to:

- the size of the company (enterprise value, 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 annual cash incentive bonuses and share related incentives. A significant proportion of the overall package comprises performance related elements.

None of the executive directors hold any outside appointments.

### Basic salary

An executive director's basic salary is normally determined by the Committee before the start of the year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the experience and performance of individuals and relationships across the Board and seeks to be competitive, but fair, using information drawn from both internal and external sources and taking account of pay and conditions elsewhere in the Company. In November 2010, after 18 months of pay freezes, the Group implemented a 2% pay increase for all staff other than those, including the executive directors, who participate in its management incentive or sales commission programmes. The Group plans to review pay levels again across the business at the end of the first quarter of 2011 taking account not only the Group's performance but also the macroeconomic outlook.

### Annual performance related bonus plan

Under the annual performance related bonus plan for executive directors, payouts for the year to 30 April 2011 were related directly to profitability and cash flow and were subject to a cap of 100% of salary. The Committee establishes the objectives that must be met for each financial year if a cash incentive bonus for that year is to be paid. In determining bonus parameters, the Committee's objective is to set targets that reflect appropriately challenging financial performance.

The targets for Geoff Drabble, Brendan Horgan and Ian Robson relating to profitability and cash flow were fully achieved. As a result they earned their maximum bonus entitlement for the year, equivalent to 100% of base salary. The target for Sat Dhawal relating to profitability was not achieved whilst that relating to cash flow was partially achieved and accordingly he earned a bonus of 15% of base salary.

The Company is currently consulting with its major shareholders on its proposals for executive directors' remuneration for the year ending 30 April 2012.

### 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.

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

### Previous plans

#### Executive share option schemes

No awards have been granted under this plan since February 2002. Shareholder approval for this plan had been granted in 1996 and accordingly the plan formally lapsed in October 2006. All awards held by executive directors have now vested or lapsed with the final exercises under this plan occurring during the past year.

#### Investment Incentive Plan

The Committee has not made any awards under this plan since 2004/5 and the Company does not intend to make further awards under this plan, which lapses in October 2011.

### Current plan – Performance Share Plan

Under the Performance Share Plan, which was adopted in 2004, 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. Performance conditions are based on Total Shareholder Return ('TSR') and/or Earnings Per Share ('EPS').

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.

# directors' remuneration report continued

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

Award date	Financial year	Performance criteria (measured over 3 years)		Status
		EPS (% of award)	TSR (% of award)	
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 77p (12.5% vested) to 91p (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)	EPS targets not met and will lapse. TSR not completed
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)	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

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

EPS for the purpose of the outstanding awards is based on the profit before tax, exceptional items 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.

Given the cyclical nature of our business, the Committee intends to vary the proportion of the performance criteria represented by EPS and TSR over the cycle between 50%/50%, 75%/25% and 25%/75%. For the forthcoming 2011/12 PSP awards, the Committee intends that vesting will be based 25% on TSR and 75% on EPS.

## Shareholding guidelines

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

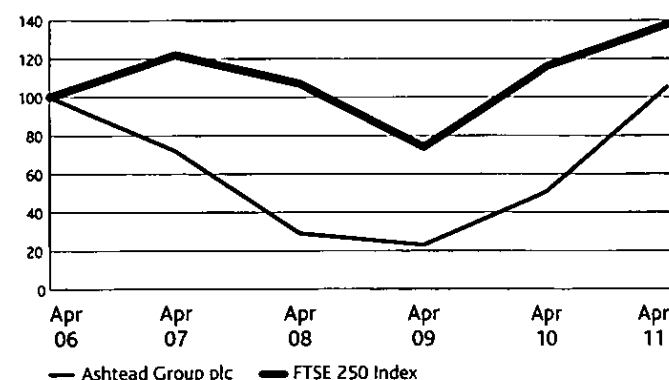
## Employee Share Ownership Trust

The Group has established an Employee Share Ownership Trust (ESOT) to acquire and hold shares in the Company to satisfy potential awards under the Performance Share Plan. At 30 April 2011, the ESOT held a beneficial interest in 5,630,628 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 2011. The FTSE 250 is the Stock Exchange index the Committee considers to be the most appropriate to the size and scale of the Company's operations.

## Total shareholder return (£)



Source: Thomson Financial

## Directors' pension arrangements

The Company makes a payment of 40% of his base salary to Geoff Drabble in lieu of providing him with any pension arrangements. This provision 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 retire at a date of his choosing and draw a pension equal to one-thirtieth of his final salary for each year of pensionable service, but without deduction for early payment. These provisions became effective from May 2010 when he completed 10 years' service with the Company. Ian Robson made contributions equal to 7.5% of his salary to the Retirement Benefits Plan. Both the accrual rate and the early retirement provisions were agreed prior to Mr Robson joining the Company in 2000 and reflected the need to be competitive with similar arrangements he enjoyed with his previous employer.

In view of recent 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 contributions. Ian Robson retains all his previous rights, including his early retirement rights, relating to the pension benefits he accrued up to March 2011.

Sat Dhawal's pension benefits are also provided entirely through the Ashtead Group plc Retirement Benefits Plan. His pension rights accrue at the rate of one-sixtieth of salary for each year of pensionable service and his normal retirement date is at age 65. Sat Dhawal 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 deferred compensation plan. During the year, under the 401K defined contribution pension plan, Sunbelt provided a co-match of 10% of the employee's contribution on contributions up to 6% of salary. In the past year, there was no co-match under the deferred compensation plan but Brendan's deferred compensation account is credited annually with a deemed 'investment return' equivalent to that earned on equivalent investments held by members in the 401K plan.

#### Executive directors' service agreements

The service agreements between the Company and Geoff Drabble (dated 6 July 2006), Ian Robson (dated 4 August 2000), Sat Dhawal (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. 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 £3,179,000 (2010: £2,998,000) and consisted of emoluments of £3,036,000 (2010: £2,919,000), gains on exercise of share options of £143,000 (2010: £79,000) and £nil (2010: £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	Performance related bonus £ 000	Benefits in kind <sup>(i)</sup> £ 000	Other allowances <sup>(ii)</sup> £'000	Total emoluments 2011 £ 000	Total emoluments 2010 £ 000
<b>Executive</b>							
Sat Dhawal	220	—	33	9	5	267	345
Geoff Drabble	456	—	456	33	215	1,160	1,037
Brendan Horgan	75	—	75	5	—	155	—
Ian Robson	328	—	328	1	22	679	586
<b>Non-executive</b>							
Chris Cole	—	110	—	—	—	110	110
Michael Burrow	—	43	—	—	—	43	40
Bruce Edwards	—	40	—	—	—	40	40
Hugh Etheridge	—	55	—	—	—	55	55
Ian Sutcliffe	—	26	—	—	—	26	—
<b>Former directors</b>							
Joe Phelan <sup>(iii)</sup>	241	—	186	14	44	485	661
Gary Icton	—	16	—	—	—	16	45
	1,320	290	1,078	62	286	3,036	2,919
<b>2010</b>	<b>1,329</b>	<b>290</b>	<b>860</b>	<b>44</b>	<b>396</b>		<b>2,919</b>

(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, 40% of salary in lieu of pension contributions from 1 April 2011 for Ian Robson and 14% for Joe Phelan.

(iii) 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 will continue to be 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 the period from 26 January 2011 to 30 April 2011, he was paid £99,000 in salary and pension contributions and received benefits with a value of £3,000. 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. He also received a pro rata bonus in respect of the period until his employment terminated.

### 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:

	2011 £ 000	2010 £ 000
Salaries and short-term employee benefits	3,036	2,919
Post-employment benefits	95	101
National insurance and social security	293	253
Share-based payments	552	265
	<b>3,976</b>	<b>3,538</b>

# directors' remuneration report continued

## Directors' pension benefits

	Age at 30 April 2011 Years	Accrued pensionable service at 30 April 2011 Years	Contributions paid by the director £ 000	Accrued annual pension at 30 April 2011 £ 000	Increase in annual pension during the year		Transfer value of accrued pension at 30 April 2011 £ 000	Transfer value of accrued pension at 30 April 2010 £ 000	Increase/ (decrease) in transfer value over the year £ 000
					Excluding inflation £ 000	Total increase £ 000			
Sat Dhaliwal	42	17	17	62	3	5	416	448	(49)
Ian Robson	52	11	23	113	6	9	1,820	1,790	7

### Notes

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

(2) The increase in transfer value in the year is stated net of the members' contributions.

At 30 April 2011, the total amount available to Brendan Horgan but deferred under the Sunbelt deferred compensation plan was \$110,470 or £66,229. This includes an allocated investment return of \$7,302 or £4,667 since the date of his appointment as a director.

## 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 2011 Number of ordinary shares of 10p each	30 April 2010 Number of ordinary shares of 10p each
Michael Burrow	100,000	100,000
Chris Cole	102,082	77,082
Sat Dhaliwal	365,849	365,849
Geoff Drabble	361,357	361,357
Bruce Edwards	40,000	40,000
Hugh Etheridge	20,000	20,000
Brendan Horgan	221,528	221,258
Ian Robson	1,552,034	1,514,829
Ian Sutcliffe	—	n/a

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

## Performance Share Plan awards

Shares held by executive directors and by a former director, Joe Phelan, under the PSP are shown in the table below.

	Year of grant	Held at 30 April 2010 or on appointment	Granted/ (lapsed) during the year	Held at 30 April 2011
Sat Dhaliwal	2007/8	116,418	(116,418)	—
	2008/9	384,279	—	384,279
	2009/10	405,530	—	405,530
	2010/11	—	223,350	223,350
Geoff Drabble	2007/8	320,896	(320,896)	—
	2008/9	1,194,760	—	1,194,760
	2009/10	1,260,829	—	1,260,829
	2010/11	—	694,416	694,416
Brendan Horgan	2008/9	290,000	—	290,000
	2009/10	297,259	—	297,259
	2010/11	171,017	—	171,017
Ian Robson	2007/8	235,075	(235,075)	—
	2008/9	572,052	—	572,052
	2009/10	603,687	—	603,687
	2010/11	—	322,487	322,487
Former director				
Joe Phelan	2009/10	686,735	—	351,207*
	2010/11	—	340,593	65,320*

\* The PSP awards for Joe Phelan have been pro-rated in accordance with the PSP rules.

The performance conditions attaching to the Performance Share Plan referred to above are detailed on pages 47 and 48. No awards were exercised during the year.

## Directors' interests in share options

	Options at 1 May 2010	Exercised during year	Options at 30 April 2011	Exercise price	Earliest normal exercise date	Expiry
<b>Discretionary schemes</b>						
Sat Dhaliwal	37,941	37,941	—	115 3p	Feb 2004	Feb 2011
Ian Robson	249,332	249,332	—	115 3p	Feb 2004	Feb 2011

Details of share options exercised by the executive directors in the year are as follows

	Number exercised	Exercise date	Option price	Market price at date of exercise	Gain £ 000
<b>Discretionary schemes</b>					
Sat Dhaliwal	37,941	10 December 2010	115 3p	159 0p	17
Ian Robson	249,332	16 December 2010	115 3p	165 8p	126

On exercise of the share options originally awarded to him in February 2001, Sat Dhaliwal sold all of the shares received from the options he exercised. Ian Robson sold 212,127 of the shares he received to generate net proceeds equal to the exercise price, income tax and national insurance on the exercise. He retained the remaining 37,205 shares.

The market price of the Company's shares at the end of the financial year was 202p and the highest and lowest closing prices during the financial year were 208p and 77p respectively.

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

  
**Michael Burrows**  
 Chairman, Remuneration Committee  
 15 June 2011

# 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 2011 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 2011 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*

**Ian Waller (Senior statutory auditor)**

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London

15 June 2011

# our financial statements 2011

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# consolidated income statement

for the year ended 30 April 2011

		2011			2010		
	Notes	Before exceptionals, amortisation and remeasurements £m	Exceptionals amortisation and remeasurements £m	Total £m	Before exceptionals amortisation and remeasurements £m	Exceptionals amortisation and remeasurements £m	Total £m
<b>Continuing operations</b>							
<b>Revenue</b>							
Rental revenue		846 5	–	846 5	769 6	–	769 6
Sale of new equipment, merchandise and consumables		41 4	–	41 4	40 6	–	40 6
Sale of used rental equipment		60 6	–	60 6	26 6	1 6	28 2
		948 5	–	948 5	836 8	1 6	838 4
<b>Operating costs</b>							
Staff costs	3	(291 0)	–	(291 0)	(266 3)	–	(266 3)
Used rental equipment sold	3	(55 0)	–	(55 0)	(24 6)	(1 6)	(26 2)
Other operating costs	3	(318 7)	–	(318 7)	(290 8)	–	(290 8)
		(664 7)	–	(664 7)	(581 7)	(1 6)	(583 3)
EBITDA		283 8	–	283 8	255 1	–	255 1
Depreciation	3	(185 0)	–	(185 0)	(186 6)	–	(186 6)
Amortisation	3	–	(1 7)	(1 7)	–	(2 5)	(2 5)
<b>Operating profit</b>	2 3	98 8	(1 7)	97 1	68 5	(2 5)	66 0
Investment income	5	3 7	–	3 7	3 2	5 5	8 7
Interest expense	5	(71 5)	(27 6)	(99 1)	(66 7)	(3 2)	(69 9)
<b>Profit on ordinary activities before taxation</b>		31 0	(29 3)	1 7	5 0	(0 2)	4 8
Taxation							
– current	6	(6 0)	2 9	(3 1)	(2 2)	–	(2 2)
– deferred	6 18	(4 9)	7 2	2 3	(1 7)	0 2	(1 5)
		(10 9)	10 1	(0 8)	(3 9)	0 2	(3 7)
<b>Profit from continuing operations</b>		20 1	(19 2)	0 9	1 1	–	1 1
Profit from discontinued operations		–	–	–	–	1 0	1 0
<b>Profit attributable to equity holders of the Company</b>		20 1	(19 2)	0 9	1 1	1 0	2 1
<b>Continuing operations</b>							
Basic earnings per share	8	4 0p	(3 8p)	0 2p	0 2p	–	0 2p
Diluted earnings per share	8	4 0p	(3 8p)	0 2p	0 2p	–	0 2p
<b>Total continuing and discontinued operations</b>							
Basic earnings per share	8	4 0p	(3 8p)	0 2p	0 2p	0 2p	0 4p
Diluted earnings per share	8	4 0p	(3 8p)	0 2p	0 2p	0 2p	0 4p

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

# consolidated statement of comprehensive income

for the year ended 30 April 2011

	2011 £m	2010 £m
Profit attributable to equity holders of the Company for the financial year	0 9	2 1
Foreign currency translation differences	(17 5)	(9 0)
Actuarial gain/(loss) on defined benefit pension scheme	12 9	(9 2)
Tax on defined benefit pension scheme	(3 4)	2 6
Tax on share-based payments	–	0 1
<b>Total comprehensive income for the year</b>	<b>(7 1)</b>	<b>(13 4)</b>



# consolidated balance sheet

at 30 April 2011

	Notes	2011 £m	2010 £m
<b>Current assets</b>			
Inventories	9	11 5	9 9
Trade and other receivables	10	155 3	134 7
Current tax asset		2 3	1 1
Cash and cash equivalents	11	18 8	54 8
		<b>187 9</b>	<b>200 5</b>
<b>Non-current assets</b>			
Property, plant and equipment			
– rental equipment	12	914 5	969 7
– other assets	12	121 7	131 9
		<b>1,036 2</b>	<b>1,101 6</b>
Intangible assets – brand names and other acquired intangibles	13	12 3	3 3
Goodwill	13	354 9	373 6
Deferred tax asset	18	1 1	7 8
Defined benefit pension fund surplus	22	6 1	–
Other financial assets – derivatives	23	–	5 7
		<b>1,410 6</b>	<b>1,492 0</b>
<b>Total assets</b>		<b>1,598 5</b>	<b>1,692 5</b>
<b>Current liabilities</b>			
Trade and other payables	14	174 6	130 6
Current tax liability		2 4	2 1
Debt due within one year	15	1 7	3 1
Provisions	17	9 6	12 0
		<b>188 3</b>	<b>147 8</b>
<b>Non-current liabilities</b>			
Debt due after more than one year	15	792 8	880 7
Provisions	17	23 3	29 4
Deferred tax liabilities	18	112 7	126 6
Defined benefit pension fund deficit	22	–	7 7
		<b>928 8</b>	<b>1,044 4</b>
<b>Total liabilities</b>		<b>1,117 1</b>	<b>1,192 2</b>
<b>Equity</b>			
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 7)	(6 3)
Cumulative foreign exchange translation differences		2 6	20 1
Retained reserves		368 1	369 1
<b>Equity attributable to equity holders of the Company</b>		<b>481 4</b>	<b>500 3</b>
<b>Total liabilities and equity</b>		<b>1,598 5</b>	<b>1,692 5</b>

These financial statements were approved by the Board on 15 June 2011



**Geoff Drabble**  
Chief executive



**Ian Robson**  
Finance director

# consolidated statement of changes in equity

for the year ended 30 April 2011

	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 by the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
At 1 May 2009	55.3	3.6	0.9	90.7	(33.1)	(6.3)	29.1	385.8	526.0
Profit for the year	—	—	—	—	—	—	—	2.1	2.1
Other comprehensive income									
Foreign currency translation differences	—	—	—	—	—	—	(9.0)	—	(9.0)
Actuarial loss on defined benefit pension scheme	—	—	—	—	—	—	—	(9.2)	(9.2)
Tax on defined benefit pension scheme	—	—	—	—	—	—	—	2.6	2.6
Tax on share-based payments	—	—	—	—	—	—	—	0.1	0.1
Total comprehensive income for the year	—	—	—	—	—	—	(9.0)	(4.4)	(13.4)
Dividends paid	—	—	—	—	—	—	—	(12.8)	(12.8)
Share-based payments	—	—	—	—	—	—	—	0.5	0.5
At 30 April 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

# consolidated cash flow statement

for the year ended 30 April 2011

	Notes	2011 £m	2010 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations before exceptional items and changes in rental equipment	24(a)	279.7	265.6
Exceptional operating costs paid		(5.5)	(8.2)
Payments for rental property, plant and equipment		(182.2)	(36.1)
Proceeds from disposal of rental property, plant and equipment before exceptional disposals		55.0	25.2
Exceptional proceeds from disposal of rental property, plant and equipment		–	1.6
Cash generated from operations		147.0	248.1
Financing costs paid		(66.7)	(54.7)
Exceptional financing costs paid		(6.5)	–
Tax (paid)/received (net)		(4.3)	0.3
<b>Net cash from operating activities</b>		<b>69.5</b>	<b>193.7</b>
<b>Cash flows from investing activities</b>			
Acquisition of businesses	24(d)	(34.8)	(0.2)
Disposal of business costs		–	(0.5)
Payments for non-rental property, plant and equipment		(20.4)	(6.7)
Proceeds from disposal of non-rental property, plant and equipment		4.5	4.0
<b>Net cash used in investing activities</b>		<b>(50.7)</b>	<b>(3.4)</b>
<b>Cash flows from financing activities</b>			
Drawdown of loans		597.8	290.7
Redemption of loans		(634.5)	(410.8)
Capital element of finance lease payments		(3.0)	(4.3)
Purchase of own shares by the ESOT		(0.4)	–
Dividends paid		(14.6)	(12.8)
<b>Net cash used in financing activities</b>		<b>(54.7)</b>	<b>(137.2)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(35.9)</b>	<b>53.1</b>
Opening cash and cash equivalents		54.8	1.7
Effect of exchange rate differences		(0.1)	–
<b>Closing cash and cash equivalents</b>		<b>18.8</b>	<b>54.8</b>

# 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 following new standards, amendments to standards or interpretations are effective for the Group's accounting period beginning on 1 May 2010 and, where relevant, have been adopted. They have not had a material impact on the consolidated results or financial position of the Group.

- Amendments to IFRS 1 – Additional exemptions for first-time adopters,
- Amendment to IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters,
- IAS 24 (revised) – Related party disclosures,
- Amendment to IFRIC 14 – Prepayments of minimum funding requirement,
- IFRIC 19 – Extinguishing financial liabilities with equity instruments, and
- Improvements to IFRSs (2010)

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 32 and 33 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

	2011	2010
Average for year	1.56	1.60
Year end	1.67	1.53

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 sales tax/VAT. 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	8% 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. In the case of goodwill, impairment is assessed at the level of the Group's two reporting units

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed

## Taxation

The tax charge for the period comprises both current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is also recognised in equity

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts for financial reporting purposes and those for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill

Deferred tax liabilities are not recognised for temporary differences arising on investment in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

## Inventories

Inventories, which comprise new equipment, fuel, merchandise and spare parts, are valued at the lower of cost and net realisable value

## Employee benefits

### Defined contribution pension plans

Obligations under the Group's defined contribution plans are recognised as an expense in the income statement as incurred

### Defined benefit pension plans

The Group's obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value and the fair value of plan assets is deducted. The discount rate 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

# notes to the consolidated financial statements

## continued

### 1 Accounting policies continued

#### Insurance

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

#### Investment income and interest expense

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

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

#### Financial instruments

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

#### Financial assets

##### Trade receivables

Trade receivables do not carry interest and are stated at 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 ESOT 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.

#### Treasury shares

The cost of treasury shares is deducted from shareholders' funds. The proceeds from the reissue of treasury 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 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	199.9	37.0	–	236.9

# notes to the consolidated financial statements

## continued

### 2 Segmental analysis continued

Year ended 30 April 2010	Sunbelt £m	A Plant £m	Corporate items £m	Continuing operations £m	Discontinued operations £m	Group £m
Revenue	674.5	162.3	–	836.8	–	836.8
Operating costs	(455.5)	(120.3)	(5.9)	(581.7)	–	(581.7)
EBITDA	219.0	42.0	(5.9)	255.1	–	255.1
Depreciation	(146.3)	(40.2)	(0.1)	(186.6)	–	(186.6)
Segment result before exceptional items and amortisation	72.7	1.8	(6.0)	68.5	–	68.5
Exceptional items	–	–	–	–	10	10
Amortisation	(1.9)	(0.6)	–	(2.5)	–	(2.5)
Segment result	70.8	1.2	(6.0)	66.0	10	67.0
Net financing costs				(61.2)	–	(61.2)
Profit before taxation				4.8	10	5.8
Taxation				(3.7)	–	(3.7)
Profit attributable to equity shareholders				1.1	10	2.1
Segment assets	1,332.0	290.9	0.2	1,623.1	–	1,623.1
Cash				54.8	–	54.8
Taxation assets				8.9	–	8.9
Other financial assets – derivatives				5.7	–	5.7
Total assets				1,692.5	–	1,692.5
Segment liabilities	119.6	44.5	1.7	165.8	–	165.8
Corporate borrowings and accrued interest				897.7	–	897.7
Taxation liabilities				128.7	–	128.7
Total liabilities				1,192.2	–	1,192.2
Other non-cash expenditure – share-based payments	0.2	0.1	0.2	0.5	–	0.5
Capital expenditure	48.3	15.3	–	63.6	–	63.6

There are no sales between the business segments. Segment assets include property, plant and equipment, goodwill, acquired intangibles, inventory and receivables. Segment liabilities comprise operating liabilities and exclude taxation balances, corporate borrowings and accrued interest. Capital expenditure represents additions to property, plant and equipment and intangible assets and includes additions through the acquisition of businesses.

#### Segmental analysis by geography

The Group's operations are located in North America 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	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
North America	782.7	674.5	1,156.9	1,222.1	199.9	48.3
United Kingdom	165.8	162.3	252.6	256.4	37.0	15.3
	948.5	836.8	1,409.5	1,478.5	236.9	63.6



### 3 Operating costs and other income

	2011			2010		
	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m
<b>Staff costs</b>						
Salaries, bonuses and commissions	266 1	–	266 1	244 7	–	244 7
Social security costs	22 6	–	22 6	20 2	–	20 2
Other pension costs	2 3	–	2 3	14	–	14
	<b>291 0</b>	<b>–</b>	<b>291 0</b>	<b>266 3</b>	<b>–</b>	<b>266 3</b>
<b>Used rental equipment sold</b>	<b>55 0</b>	<b>–</b>	<b>55 0</b>	<b>24 6</b>	<b>1 6</b>	<b>26 2</b>
<b>Other operating costs</b>						
Vehicle costs	75 6	–	75 6	66 2	–	66 2
Spares, consumables and external repairs	58 8	–	58 8	48 9	–	48 9
Facility costs	45 4	–	45 4	44 9	–	44 9
Other external charges	138 9	–	138 9	130 8	–	130 8
	<b>318 7</b>	<b>–</b>	<b>318 7</b>	<b>290 8</b>	<b>–</b>	<b>290 8</b>
<b>Depreciation and amortisation</b>						
Depreciation of owned assets	184 0	–	184 0	184 9	–	184 9
Depreciation of leased assets	10	–	10	17	–	17
Amortisation of acquired intangibles	–	17	17	–	2 5	2 5
	<b>185 0</b>	<b>17</b>	<b>186 7</b>	<b>186 6</b>	<b>2 5</b>	<b>189 1</b>
	<b>849 7</b>	<b>17</b>	<b>851 4</b>	<b>768 3</b>	<b>4 1</b>	<b>772 4</b>

Proceeds from the disposal of non-rental property, plant and equipment amounted to £4 5m (2010 £4 0m)

The costs shown in the above table include

	2011 £m	2010 £m
<b>Operating lease rentals payable</b>		
Plant and equipment	1 7	1 7
Property	34 4	33 9
Cost of inventories recognised as expense	40 4	37 6
Bad debt expense	7 1	9 7
Net foreign exchange (gains)/losses	(0 1)	0 1

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

	2011 £m	2010 £m
<b>Audit services</b>		
Fees payable to Deloitte UK		
– Group audit	285	291
– UK statutory audits of subsidiaries	13	13
Fees payable to other Deloitte firms		
– overseas subsidiary audits	290	303
	<b>588</b>	<b>607</b>
<b>Other services</b>		
Fees payable to Deloitte UK		
– half-year review	48	47
– other assurance services	10	10
Fees payable to other Deloitte firms		
– half-year review	15	14
– tax services	152	44
	<b>813</b>	<b>722</b>

# notes to the consolidated financial statements

## continued

### 4 Exceptional items, amortisation and fair value remeasurements

	2011 £m	2010 £m
Write-off of deferred financing costs	15.4	3.2
Early redemption fee	6.5	–
Fair value remeasurements	5.7	(5.5)
Amortisation of acquired intangibles	1.7	2.5
Sale of Ashtead Technology	–	(1.0)
	29.3	(0.8)
Taxation	(10.1)	(0.2)
	19.2	(1.0)

The write-off of deferred financing costs consists of the unamortised balance of costs relating to both the 2006 ABL facility, which was renewed in March 2011 and to the \$250m 8.625% senior secured notes redeemed in April 2011. In addition, an early redemption fee of £6.5m was paid on settlement of these notes. Fair value remeasurements relate to the changes in the fair value of the embedded call options in our senior secured note issues.

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

	2011 £m	2010 £m
Sale of used rental equipment	–	(1.6)
Used rental equipment sold	–	1.6
Amortisation	1.7	2.5
Charged in arriving at operating profit	1.7	2.5
Investment income	–	(5.5)
Interest expense	27.6	3.2
Charged in arriving at profit before tax	29.3	0.2
Taxation	(10.1)	(0.2)
	19.2	–
Profit after taxation from discontinued operations	–	(1.0)
	19.2	(1.0)

### 5 Net financing costs

	2011 £m	2010 £m
<b>Investment income</b>		
Expected return on assets of defined benefit pension plan	(3.7)	(3.2)
<b>Interest expense</b>		
Bank interest payable	15.7	13.4
Interest payable on second priority senior secured notes	45.3	44.4
Interest payable on finance leases	0.2	0.3
Non-cash unwind of discount on defined benefit pension plan liabilities	3.5	3.0
Non-cash unwind of discount on self-insurance provisions	1.4	1.5
Amortisation of deferred costs of debt raising	5.4	4.1
Total interest expense	71.5	66.7
Net financing costs before exceptional items	67.8	63.5
Exceptional items	21.9	3.2
Fair value remeasurements	5.7	(5.5)
Net financing costs	95.4	61.2

## 6 Taxation

	2011 £m	2010 £m
<b>Analysis of tax charge</b>		
Current tax		
– current tax on income for the year	4.4	3.9
– adjustments to prior year	(1.3)	(1.7)
	3.1	2.2
Deferred tax		
– origination and reversal of temporary differences	(4.4)	(2.3)
– adjustments to prior year	2.1	3.8
	(2.3)	1.5
<b>Total taxation</b>	<b>0.8</b>	<b>3.7</b>
Comprising		
– UK tax	7.8	10.2
– US tax	(7.0)	(6.5)
	0.8	3.7

The tax charge comprises a charge of £10.9m (2010: £3.9m) relating to tax on the profit before exceptional items, amortisation and fair value remeasurements, together with a credit of £10.1m (2010: £0.2m) comprising a tax credit of £0.4m (2010: £0.9m) on the amortisation expense and a tax credit of £9.7m on exceptional items and fair value remeasurements.

The tax charge for the period is higher than the standard rate of corporation tax in the UK of 27.8% for the year. The differences are explained below.

	2011 £m	2010 £m
Profit on ordinary activities before tax	1.7	4.8
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 27.8% (2010: 28%)	0.5	1.3
Effects of		
Use of foreign tax rates on overseas income	(2.3)	(0.8)
Other	1.8	1.1
Adjustments to prior year	0.8	2.1
<b>Total taxation charge</b>	<b>0.8</b>	<b>3.7</b>

# notes to the consolidated financial statements

## continued

### 7 Dividends

	2011 £m	2010 £m
Final dividend paid on 10 September 2010 of 2.0p (2010 1.675p) per 10p ordinary share	10.0	8.3
Interim dividend paid on 9 February 2011 of 0.93p (2010 0.9p) per 10p ordinary share	4.6	4.5
	14.6	12.8

In addition, the directors are proposing a final dividend in respect of the financial year ended 30 April 2011 of 2.07p per share which will absorb £10.3m of shareholders' funds based on the 497.7m shares ranking for dividend at 15 June 2011. Subject to approval by shareholders, it will be paid on 9 September 2011 to shareholders who are on the register of members on 19 August 2011.

### 8 Earnings per share

	2011			2010		
	Earnings £m	Weighted average no of shares million	Per share amount pence	Earnings £m	Weighted average no of shares million	Per share amount pence
<b>Continuing operations</b>						
Basic earnings per share	0.9	497.7	0.2	1.1	497.6	0.2
Share options and share plan awards	–	6.5	–	–	3.8	–
Diluted earnings per share	0.9	504.2	0.2	1.1	501.4	0.2
<b>Discontinued operations</b>						
Basic earnings per share	–	–	–	1.0	497.6	0.2
Share options and share plan awards	–	–	–	–	3.8	–
Diluted earnings per share	–	–	–	1.0	501.4	0.2
<b>Total Group</b>						
Basic earnings per share	0.9	497.7	0.2	2.1	497.6	0.4
Share options and share plan awards	–	6.5	–	–	3.8	–
Diluted earnings per share	0.9	504.2	0.2	2.1	501.4	0.4

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

	2011 pence	2010 pence
<b>Total Group</b>		
Basic earnings per share	0.2	0.4
Exceptional items and amortisation of acquired intangibles	5.9	(0.2)
Tax on exceptional items and amortisation	(2.1)	–
Underlying earnings per share	4.0	0.2
Other deferred tax	1.0	0.4
Cash tax earnings per share	5.0	0.6

### 9 Inventories

	2011 £m	2010 £m
Raw materials, consumables and spares	6.8	5.7
Goods for resale	4.7	4.2
	11.5	9.9

## 10 Trade and other receivables

	2011 £m	2010 £m
Trade receivables	145.9	129.8
Less: allowance for bad and doubtful receivables	(13.7)	(15.6)
	132.2	114.2
Other receivables	23.1	20.5
	155.3	134.7

The fair values of trade and other receivables are not materially different to the carrying values presented

### a) Trade receivables credit risk

The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 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:

	Current £m	Trade receivables past due by				Total £m
		Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	
Carrying value at 30 April 2011	19.6	68.5	33.5	10.3	14.0	145.9
Carrying value at 30 April 2010	17.8	63.0	26.7	7.8	14.5	129.8

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

	Current £m	Trade receivables past due by				Total £m
		Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	
Carrying value at 30 April 2011	75.3	43.0	11.6	5.5	10.5	145.9
Carrying value at 30 April 2010	69.4	35.1	9.3	4.3	11.7	129.8

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

	2011 £m	2010 £m
At 1 May	15.6	17.6
Amounts written off and recovered during the year	(8.2)	(11.3)
Increase in allowance recognised in income statement	7.1	9.7
Currency movements	(0.8)	(0.4)
At 30 April	13.7	15.6

## 11 Cash and cash equivalents

	2011 £m	2010 £m
Cash and cash equivalents	18.8	54.8

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.

# notes to the consolidated financial statements

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## 12 Property, plant and equipment

	Rental equipment			Motor vehicles			
	Land and buildings £m	Owned £m	Held under finance leases £m	Office and workshop equipment £m	Owned £m	Held under finance leases £m	Total £m
<b>Cost or valuation</b>							
<b>At 1 May 2009</b>	86.8	1,797.9	0.3	45.2	116.9	17.0	2,064.1
Exchange differences	(1.6)	(46.1)	–	(1.1)	(3.4)	(0.4)	(52.6)
Acquisitions	–	0.1	–	–	–	–	0.1
Reclassifications	0.4	(19.8)	(0.1)	7.1	16.8	(4.4)	–
Additions	3.5	55.6	–	0.6	3.5	0.2	63.4
Disposals	(4.5)	(86.6)	–	(6.8)	(7.1)	(3.0)	(108.0)
<b>At 30 April 2010</b>	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)
<b>At 30 April 2011</b>	<b>81.0</b>	<b>1,621.6</b>	<b>–</b>	<b>43.8</b>	<b>126.1</b>	<b>4.2</b>	<b>1,876.7</b>
<b>Depreciation</b>							
<b>At 1 May 2009</b>	27.4	657.6	0.1	35.6	40.1	9.3	770.1
Exchange differences	(0.3)	(11.1)	–	(0.9)	(0.8)	(0.2)	(13.3)
Reclassifications	0.4	(16.2)	–	6.6	12.2	(2.9)	0.1
Charge for the period	3.8	162.7	–	3.9	14.5	1.7	186.6
Disposals	(2.4)	(61.5)	–	(6.6)	(5.4)	(2.2)	(78.1)
<b>At 30 April 2010</b>	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)
<b>At 30 April 2011</b>	<b>28.9</b>	<b>707.1</b>	<b>–</b>	<b>37.5</b>	<b>65.8</b>	<b>1.2</b>	<b>840.5</b>
<b>Net book value</b>							
<b>At 30 April 2011</b>	<b>52.1</b>	<b>914.5</b>	<b>–</b>	<b>6.3</b>	<b>60.3</b>	<b>3.0</b>	<b>1,036.2</b>
At 30 April 2010	55.7	969.6	0.1	6.4	66.1	3.7	1,101.6

No rebuild costs were capitalised in the year (2010: £nil)

### 13 Intangible assets including goodwill

	Other intangible assets					
	Goodwill £m	Brand names £m	Customer lists £m	Contract related £m	Total £m	Total £m
<b>Cost or valuation</b>						
<b>At 1 May 2009</b>	385.4	13.7	1.7	10.8	26.2	411.6
Recognised on acquisition	–	–	–	0.1	0.1	0.1
Exchange differences	(11.8)	(0.4)	–	(0.3)	(0.7)	(12.5)
<b>At 30 April 2010</b>	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)
<b>At 30 April 2011</b>	<b>354.9</b>	<b>13.4</b>	<b>6.0</b>	<b>15.1</b>	<b>34.5</b>	<b>389.4</b>
<b>Amortisation</b>						
<b>At 1 May 2009</b>	–	12.6	0.6	7.1	20.3	20.3
Charge for the period	–	0.1	0.2	2.2	2.5	2.5
Exchange differences	–	(0.4)	–	(0.1)	(0.5)	(0.5)
<b>At 30 April 2010</b>	–	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)
<b>At 30 April 2011</b>	–	<b>11.5</b>	<b>1.2</b>	<b>9.5</b>	<b>22.2</b>	<b>22.2</b>
<b>Net book value</b>						
<b>At 30 April 2011</b>	<b>354.9</b>	<b>1.9</b>	<b>4.8</b>	<b>5.6</b>	<b>12.3</b>	<b>367.2</b>
At 30 April 2010	373.6	10	0.9	14	3.3	376.9

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

	2011 £m	2010 £m
Sunbelt	340.6	359.3
A-Plant	14.3	14.3
	<b>354.9</b>	<b>373.6</b>

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 2011. 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% (2010 9.0%).

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 £18m at the reporting date. An increase in the discount rate of 9.5% by 0.9% or a decrease in the annuity growth rate of 2% by 1.1% would eradicate the headroom.

### 14 Trade and other payables

	2011 £m	2010 £m
Trade payables	81.1	48.7
Other taxes and social security	13.0	12.6
Accruals and deferred income	80.5	69.3
	<b>174.6</b>	<b>130.6</b>

Trade and other payables include amounts relating to the purchase of fixed assets of £57.7m (2010 £27.6m). The fair values of trade and other payables are not materially different from the carrying values presented.

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## continued

### 15 Borrowings

	2011 £m	2010 £m
<b>Current</b>		
Finance lease obligations	17	31
<b>Non-current</b>		
First priority senior secured bank debt	4671	3675
Finance lease obligations	13	04
8.625% second priority senior secured notes, due 2015	–	160.2
9% second priority senior secured notes, due 2016	324.4	352.6
	<b>792.8</b>	<b>880.7</b>

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

During the year, the first priority asset-based senior secured loan facility ('ABL facility') was renewed and now consists solely of a \$1.4bn revolving credit facility committed until March 2016. 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 2011 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 \$168m. Available liquidity at 30 April 2011 was £287m (\$479m) reflecting drawings under the facility at that date together with outstanding letters of credit of £16m (\$27m). As the ABL facility is asset-based, the maximum amount available to be borrowed (which includes drawings in the form of standby letters of credit) depends on asset values (receivables, inventory, rental equipment and real estate) which are subject to periodic independent appraisal. The maximum amount which could be drawn at 30 April 2011 was £765m (\$1,276m).

#### 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.

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

	2011	2010
First priority senior secured bank debt – revolving advances in dollars	2.8%	3.0%
– term loan advances in dollars	–	2.1%
Secured notes – \$550m nominal value	9.0%	9.0%
Finance leases	7.8%	7.0%

### 16 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2011 £m	2010 £m	2011 £m	2010 £m
Amounts payable under finance leases				
Less than one year	1.8	3.2	1.6	3.1
Later than one year but not more than five	1.5	0.4	1.4	0.4
	<b>3.3</b>	<b>3.6</b>	<b>3.0</b>	<b>3.5</b>
Future finance charges	(0.3)	(0.1)		
	<b>3.0</b>	<b>3.5</b>		

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 2010	22.2	19.2	41.4
Exchange differences	(1.7)	(0.7)	(2.4)
Utilised	(16.5)	(6.6)	(23.1)
Charged in the year	13.4	2.2	15.6
Amortisation of discount	1.4	–	1.4
<b>At 30 April 2011</b>	<b>18.8</b>	<b>14.1</b>	<b>32.9</b>

	2011 £m	2010 £m
Included in current liabilities	9.6	12.0
Included in non-current liabilities	23.3	29.4
	<b>32.9</b>	<b>41.4</b>

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 £4.1m adjustment to reduce the provision held at 1 May 2010.

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

## 18 Deferred tax

### Deferred tax assets

	Tax losses £m	Other temporary differences £m	Total £m
At 1 May 2010	–	7.8	7.8
Offset against deferred tax liability at 1 May 2010	46.2	41.9	88.1
Gross deferred tax assets at 1 May 2010	46.2	49.7	95.9
Exchange differences	(7.2)	(2.8)	(10.0)
Credit/(charge) to income statement	55.2	(12.1)	43.1
Charge to equity	–	(1.8)	(1.8)
Acquisition of Empire Scaffold	–	(2.4)	(2.4)
Less offset against deferred tax liability	(94.2)	(29.5)	(123.7)
<b>At 30 April 2011</b>	<b>–</b>	<b>1.1</b>	<b>1.1</b>

### Deferred tax liabilities

	Accelerated tax depreciation £m	Other temporary differences £m	Total £m
Net deferred tax liability at 1 May 2010	168.5	(41.9)	126.6
Deferred tax assets offset at 1 May 2010	46.2	41.9	88.1
Gross deferred tax liability at 1 May 2010	214.7	–	214.7
Exchange differences	(20.3)	–	(20.3)
Charge to income statement	40.8	–	40.8
Acquisition of Empire Scaffold	1.2	–	1.2
	236.4	–	236.4
Less offset of deferred tax assets			
– benefit of tax losses			(94.2)
– other temporary differences			(29.5)
<b>At 30 April 2011</b>			<b>112.7</b>

The Group has an unrecognised UK deferred tax asset of £1.5m (2010: £1.6m) 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. The Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences would not reverse in the foreseeable future.

# notes to the consolidated financial statements

## continued

### 19 Called up share capital

	2011 Number	2010 Number	2011 £m	2010 £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 2011, 50m shares were held by the Company, acquired at an average cost of 67p and a further 5.6m 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 5,630,628 ordinary shares of the Company acquired at an average cost of 118.9p per share. The shares had a market value of £11.4m at 30 April 2011. 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.

#### Performance Share Plan

Details of the Performance Share Plan ('PSP') are given on pages 47 and 48. 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 2011, there was a net charge in respect of the PSP of £1.6m (2010: £0.5m). After deferred tax, the total charge was £1.0m (2010: £0.2m).

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 98.5p, nil exercise price, a dividend yield of 2.94%, volatility of 49.38%, a risk-free rate of 1.21% and an expected life of three years.

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

#### Discretionary share option schemes

Details of the discretionary share option schemes are given on page 47. In accordance with the transitional provisions of IFRS 2, Share-based payments, the Group has not recognised any expense for these schemes as they were all granted prior to 7 November 2002.

	Discretionary schemes		SAYE		PSP Number
	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	
<b>2009/10</b>					
Outstanding at 1 May 2009	1,936,052	99.8	483,384	115.3	10,159,351
Granted	–	–	–	–	6,454,947
Forfeited	–	–	(17,749)	122.1	–
Exercised	(303,057)	86.2	–	–	–
Expired	(262,721)	97.6	(465,635)	115.0	(1,764,002)
Outstanding at 30 April 2010	1,370,274	103.3	–	–	14,850,296
Exercisable at 30 April 2010	1,370,274	103.3	–	–	–
<b>2010/11</b>					
Outstanding at 1 May 2010	1,370,274	103.3	–	–	14,850,296
Granted	–	–	–	–	4,947,703
Forfeited	–	–	–	–	–
Exercised	(1,164,668)	110.6	–	–	–
Expired	(77,506)	101.2	–	–	(3,454,574)
Outstanding at 30 April 2011	128,100	38.3	–	–	16,343,425
Exercisable at 30 April 2011	128,100	38.3	–	–	–

Options outstanding at 30 April 2011 under discretionary schemes

Year of grant	Weighted average exercise price (p)	Number of shares	Latest exercise date
2001/2	38.3	128,100	26 Feb 12

The weighted average exercise price during the period for options exercised during the year was 110.6p (2010: 86.2p) for discretionary schemes.

## 21 Operating leases

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

	2011 £m	2010 £m
Land and buildings		
Expiring in one year	21	41
Expiring between two and five years	169	146
Expiring in more than five years	140	168
	330	355
Other		
Expiring in one year	08	04
Expiring between two and five years	01	09
	09	13
<b>Total</b>	<b>339</b>	<b>368</b>

Total minimum commitments under existing operating leases at 30 April 2011 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			
2012	330	09	339
2013	287	–	287
2014	243	–	243
2015	199	–	199
2016	154	–	154
Thereafter	616	–	616
	1829	09	1838

£9.7m of the total minimum operating lease commitments of £182.9m 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 £1.6m (2010: £1.0m).

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 2011 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:

	2011	2010
Rate of increase in salaries	4.4%	4.6%
Rate of increase in pensions in payment	3.2%	3.6%
Discount rate	5.3%	5.5%
Inflation assumption – RPI	3.4%	3.6%
– CPI	2.7%	n/a
Weighted average expected return on plan assets	6.5%	6.6%

Pensioner life expectancy assumed in the 30 April 2011 update is based on the 'S1Px A CMI 2010' 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 2011	86.9	89.4
Pensioner aged 65 in 2031	88.3	90.8

# notes to the consolidated financial statements

## continued

### 22 Pensions continued

The amounts recognised in the income statement are as follows

	2011 £m	2010 £m
Current service cost	0.6	0.3
Interest cost	3.5	3.0
Expected return on plan assets	(3.7)	(3.2)
Total cost	0.4	0.1

The amounts recognised in the balance sheet are determined as follows

	2011 £m	2010 £m
Fair value of plan assets	63.6	55.9
Present value of defined benefit obligation	(57.5)	(63.6)
Net asset/(liability) recognised in the balance sheet	6.1	(7.7)

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

	2011 £m	2010 £m
At 1 May	63.6	43.7
Current service cost	0.6	0.3
Interest cost	3.5	3.0
National Insurance rebates received	0.2	0.4
Contributions from members	0.3	0.3
Actuarial (gain)/loss		
– experience gain	(2.4)	(2.4)
– change in assumptions	(6.4)	20.1
Benefits paid	(1.9)	(1.8)
At 30 April	57.5	63.6

The actuarial gain in the year ended 30 April 2011 includes the effect of a change in the provision for inflation increases in pensions for deferred members which is now linked to CPI rather than RPI

Movements in the fair value of plan assets were as follows

	2011 £m	2010 £m
At 1 May	55.9	44.0
Expected return on plan assets	3.7	3.2
Actual return on plan assets above expected return	3.9	8.5
Contributions from sponsoring companies	1.5	1.3
National Insurance rebates received	0.2	0.4
Contributions from members	0.3	0.3
Benefits paid	(1.9)	(1.8)
At 30 April	63.6	55.9

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

	Expected return		Fair value	
	2011 %	2010 %	2011 £m	2010 £m
Equity instruments	7.3	7.5	38.8	32.6
Bonds	4.8	5.0	19.9	18.7
Property	7.3	7.5	4.8	4.4
Cash	–	–	0.1	0.2
	6.5	6.6	63.6	55.9

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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of scheme assets	63 6	55 9	44 0	55 3	57 6
Present value of defined benefit obligations	(57 5)	(63 6)	(43 7)	(49 5)	(52 4)
Surplus/(deficit) in the scheme	6 1	(7 7)	0 3	5 8	5 2
Experience adjustments on scheme liabilities					
Gain/(loss) (£m)	2 4	2 4	0 2	2 2	(0 2)
Percentage of closing scheme liabilities	4%	4%	–	5%	–
Experience adjustments on scheme assets					
Gain/(loss) (£m)	3 9	8 5	(16 7)	(7 2)	0 9
Percentage of closing scheme assets	6%	15%	(38%)	(13%)	2%

The cumulative actuarial losses recognised in the statement of comprehensive income since the adoption of IFRS are £5 3m

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 41% of the drawn debt at a fixed rate as at 30 April 2011. 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 sterling) 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 2011, 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 2011, based upon the amount of variable rate debt outstanding, the Group's pre-tax profits would change by approximately £5m for each one percentage point change in interest rates applicable to the variable rate debt and, after tax effects, equity would change by approximately £3m. 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 is denominated in US dollars. The Group has arranged its financing such that, at 30 April 2011, 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 pounds 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.

# notes to the consolidated financial statements

## continued

### 23 Financial risk management continued

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 2011, a 1% change in the US dollar-pound exchange rate would have impacted our pre-tax profits by approximately £0.4m and equity by approximately £3m. At 30 April 2011, 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.

	2011 £m	2010 £m
Cash and cash equivalents	18.8	54.8
Trade and other receivables	155.3	134.7
	174.1	189.5

Substantially all of the Group's cash and cash equivalents at 30 April 2011 are deposited with one large UK-based financial institution which is not expected to fail.

The Group has a large number of unrelated customers, serving over 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 2011, availability under this facility was \$479m (£287m).

#### Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial asset held by the Group, are settled gross by customers.

The following table presents the Group's outstanding contractual maturity profile for its non-derivative financial liabilities, excluding trade and other payables which fall due within one year. The analysis presented is based on the undiscounted contractual maturities of the Group's financial liabilities, including any interest that will accrue, except where the Group is entitled and intends to repay a financial liability, or part of a financial liability, before its contractual maturity.

At 30 April 2011

	Undiscounted cash flows – year to 30 April					
	2012 £m	2013 £m	2014 £m	2015 £m	2016 £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	–	–	–	–	–	–
	1.7	1.0	0.3	–	474.2	806.9
Interest payments	41.6	43.3	45.1	47.4	49.6	236.9
	43.3	44.3	45.4	47.4	523.8	1,043.8

Letters of credit of £16.1m (2010: £19.1m) are provided and guaranteed under the ABL facility which expires in March 2016.

At 30 April 2010

	Undiscounted cash flows – year to 30 April					
	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	Total £m
Bank and other debt	–	–	–	384.8	–	384.8
Finance leases	3.1	0.4	–	–	–	3.5
8.625% senior secured notes	–	–	–	–	–	–
9.0% senior secured notes	–	–	–	–	–	–
	3.1	0.4	–	384.8	–	910.9
Interest payments	64.1	66.1	63.6	55.7	46.4	341.2
	67.2	66.5	63.6	440.5	46.4	1,252.1

### Fair value of financial instruments

#### Net fair values of derivative financial instruments

At 30 April 2011, the Group's embedded prepayment options included within its secured loan notes had a fair value of £nil (2010 £5.7m). At 30 April 2011, 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 2011. 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 2011		At 30 April 2010	
	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	474.2	474.2	384.8	383.3
– 8.625% senior secured notes	–	–	163.3	164.6
– 9% senior secured notes	329.7	347.9	359.3	369.2
	803.9	822.1	907.4	917.1
Fair value determined based on observable market inputs				
– finance lease obligations	1.3	1.4	0.4	0.4
Total long-term borrowings	805.2	823.5	907.8	917.5
Deferred costs of raising finance	(12.4)	–	(27.1)	–
	792.8	823.5	880.7	917.5
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	1.7	1.8	3.1	3.1
Trade and other payables	174.6	174.6	130.6	130.6
Trade and other receivables	(155.3)	(155.3)	(134.7)	(134.7)
Cash at bank and in hand	(18.8)	(18.8)	(54.8)	(54.8)

# notes to the consolidated financial statements

continued

## 24 Notes to the cash flow statement

### a) Cash flow from operating activities

	2011 £m	2010 £m
Operating profit before exceptional items and amortisation	98.8	68.5
Depreciation	185.0	186.6
EBITDA before exceptional items	283.8	255.1
Profit on disposal of rental equipment	(5.6)	(2.0)
Profit on disposal of other property, plant and equipment	(0.8)	(0.1)
(Increase)/decrease in inventories	(2.6)	0.2
(Increase)/decrease in trade and other receivables	(21.2)	10.8
Increase in trade and other payables	24.7	1.0
Exchange differences	(0.2)	0.1
Other non-cash movements	1.6	0.5
Cash generated from operations before exceptional items and changes in rental equipment	279.7	265.6

### b) Reconciliation to net debt

Decrease/(increase) in cash in the period	35.9	(53.1)
Decrease in debt through cash flow	(39.7)	(124.4)
Change in net debt from cash flows	(3.8)	(177.5)
Exchange differences	(73.1)	(36.9)
Non-cash movements		
– deferred costs of debt raising	21.0	7.3
– capital element of new finance leases	2.6	0.2
Reduction in net debt in the period	(53.3)	(206.9)
Net debt at 1 May	829.0	1,035.9
Net debt at 30 April	775.7	829.0

### c) Analysis of net debt

	1 May 2010 £m	Exchange movement £m	Cash flow £m	Non cash movements £m	30 April 2011 £m
Cash and cash equivalents	(54.8)	0.1	35.9	–	(18.8)
Debt due within one year	3.1	(0.1)	(3.0)	1.7	1.7
Debt due after one year	880.7	(73.1)	(36.7)	21.9	792.8
Total net debt	829.0	(73.1)	(3.8)	23.6	775.7

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

### d) Acquisitions

	2011 £m	2010 £m
Cash consideration paid	34.8	0.2

## 25 Acquisitions

£35m was spent on acquisitions in the year with the main transaction being Sunbelt's acquisition of the entire issued share capital of Empire Scaffold LLC ('Empire') on 10 January 2011

### Empire

Empire was acquired for \$39m (£25m) with an additional deferred cash consideration of \$1.5m (£1.0m) payable depending on Empire's profits in the year to 31 August 2011. Empire is a specialist provider of scaffold rental, erection and dismantlement services principally to the Gulf Coast petrochemical industry. This acquisition has enabled us to expand our specialty scaffolding services from the US eastern seaboard into new markets along the Gulf Coast.



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
<b>Net assets acquired</b>		
Trade and other receivables	6.6	6.4
Cash and cash equivalents	0.3	0.3
Property, plant and equipment		
– rental equipment	11.6	6.4
– other assets	0.4	0.4
Goodwill	4.4	–
Intangible assets (brand name, customer contracts and relationships)	–	6.4
Trade and other payables	(2.0)	(2.0)
Deferred tax liabilities	(2.8)	(3.6)
	18.5	14.3
Consideration		
– cash paid and payable		25.0
– deferred consideration to be satisfied in cash		1.0
		26.0
<b>Goodwill</b>		11.7

The goodwill arising can be attributed to the key management personnel, workforce and safety record of the acquired business and the benefits the Group expects to derive from the acquisition. This goodwill is not deductible for tax purposes.

Trade receivables at acquisition were £5.0m at fair value, net of £0.4m provision for debts which may not be collected, and had a gross face value of £5.4m. Other receivables include prepaid expenses and accrued revenue.

Empire's revenue and operating profit in the period from the date of acquisition to 30 April 2011 were £12.3m (\$19.3m) and £1.2m (\$1.9m) respectively. Had the acquisition taken place on 1 May 2010, Group reported revenue and operating profit for the year ended 30 April 2011 would have been higher by £19.2m (\$30.0m) and £2.4m (\$3.8m) respectively.

#### Other

In addition £10m was paid in the year to acquire £5.3m of tangible and £4.7m of intangible fixed assets.

## 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.

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 reclassification of certain US intercompany debt in those years from debt to equity and its consequent recharacterisation of US interest payments to the UK as equity-like distributions. The revised assessments would result in additional net tax payments due of \$32m together with interest and penalties of \$13m. Detailed protest letters setting out the reasons why we disagree with these assessments and believe that no adjustment is warranted were issued to the IRS on 29 March 2011.

If, contrary to our view, the IRS prevailed in its arguments the Group has been advised that application to the UK tax authorities under the Competent Authority procedure should enable a corresponding adjustment reducing UK intercompany interest receivable and hence UK tax to be agreed. Taking account of this UK offset, the estimated impact of the IRS's proposed adjustments at 30 April 2011 would be to increase current tax payable by £27m, current tax receivable by £7m, deferred tax liabilities by £51m and deferred tax assets by £43m while shareholders' equity would reduce by approximately £28m.

Having taken external professional advice, the directors consider that the adjustments proposed by the IRS audit team have no merit and intend to defend this position vigorously. Whilst the procedures that have to be followed to resolve this sort of tax issue make it likely that it will be some years before the eventual outcome is known, the Board does not anticipate this matter having any material impact on the Group's results or financial position.

### Company

The Company has guaranteed the borrowings of its subsidiary undertakings under the Group's senior secured credit and overdraft facilities. At 30 April 2011 the amount borrowed under these facilities was £474.2m (2010: £384.8m). Subsidiary undertakings are also able to obtain letters of credit under these facilities and, at 30 April 2011, letters of credit issued under these arrangements totalled £16.1m (\$26.8m) (2010: £19.1m or \$29.3m). In addition, the Company has guaranteed the 9% second priority senior secured notes with a par value of \$550m (£330m), 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 2011 totalled £59.5m (2010: £71.5m) in respect of land and buildings of which £6.9m is payable by subsidiary undertakings in the year ending 30 April 2012. The minimum lease commitment at 30 April 2011 in respect of other lease rentals was £nil (2010: £2.1m).

The Company has guaranteed the performance by subsidiaries of certain other obligations up to £0.7m (2010: £0.8m).

# notes to the consolidated financial statements

## continued

### 27 Capital commitments

At 30 April 2011 capital commitments in respect of purchases of rental and other equipment totalled £173.1m (2010 £24.6m), 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:

	2011 £m	2010 £m
North America	5,600	5,675
United Kingdom	1,921	1,976
	7,521	7,651

### 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.

**IFRS 9 – Financial instruments** was issued on 12 November 2009 and is effective for annual periods beginning on or after 1 January 2013 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.

**Amendments to IFRS 7 – Financial instruments: disclosures** was issued on 7 October 2010 and is effective for annual periods beginning on or after 1 July 2011. The Group does not believe the adoption of this pronouncement will have a material impact on the Group's results or financial position.

**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 pronouncement will have a material impact on the Group's results or financial position.

**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.

The remaining pronouncements were all issued on 12 May 2011 and are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. The Group is currently assessing the impact and expected timing of adoption of these standards on the Group's results and financial position.

**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.

**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.

**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.

**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.

### 31 Parent company information

#### a) Balance sheet of the Company

	Notes	2011 £m	2010 £m
<b>Current assets</b>			
Prepayments and accrued income		01	02
<b>Non-current assets</b>			
Investments in Group companies	(g)	363.7	363.7
Deferred tax asset		0.7	0.2
		<b>364.4</b>	<b>363.9</b>
<b>Total assets</b>		<b>364.5</b>	<b>364.1</b>
<b>Current liabilities</b>			
Amounts due to subsidiary undertakings	(f)	95.9	82.7
Accruals and deferred income		3.2	3.1
<b>Total liabilities</b>		<b>99.1</b>	<b>85.8</b>
<b>Equity</b>			
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)	(6.7)	(6.3)
Retained reserves	(b)	154.7	167.2
<b>Equity attributable to equity holders of the Company</b>		<b>265.4</b>	<b>278.3</b>
<b>Total liabilities and equity</b>		<b>364.5</b>	<b>364.1</b>

These financial statements were approved by the Board on 15 June 2011



**Geoff Drabble**  
Chief executive



**Ian Robson**  
Finance director

# notes to the consolidated financial statements

## continued

### 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 by the ESOT £m	Retained reserves £m	Total £m
At 1 May 2009	55.3	3.6	0.9	90.7	(33.1)	(6.3)	179.5	290.6
Total comprehensive income for the year	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(12.8)	(12.8)
Share-based payments	–	–	–	–	–	–	0.5	0.5
At 30 April 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

#### c) Cash flow statement of the Company

	Note	2011 £m	2010 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	(i)	21.2	14.2
Financing costs paid – commitment fee		(6.2)	(1.4)
<b>Net cash from operating activities</b>		15.0	12.8
<b>Cash flows from financing activities</b>			
Purchase of own shares by the ESOT		(0.4)	–
Dividends paid		(14.6)	(12.8)
<b>Net cash used in financing activities</b>		(15.0)	(12.8)
<b>Change in cash and cash equivalents</b>		–	–

#### 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 (2010: £nil). There were no other amounts of comprehensive income in the financial year.

#### f) Amounts due to subsidiary undertakings

	2011 £m	2010 £m
Due within one year		
Ashtead Holdings PLC	90.1	82.7
Ashtead Plant Hire Company Limited	5.8	–
	95.9	82.7

## g) Investments

	Shares in Group companies	
	2011 £m	2010 £m
At 30 April 2010 and 2011	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

	2011 £m	2010 £m
Operating profit	—	—
Depreciation	0.1	0.1
EBITDA	0.1	0.1
Decrease/(increase) in receivables	0.1	(0.1)
Increase in payables	1.8	0.2
Increase in intercompany payable	17.6	13.5
Other non-cash movement	1.6	0.5
Net cash inflow from operations before exceptional items	21.2	14.2

# ten year history

	IFRS						UK GAAP			
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>In £m</b>										
<b>Income statement</b>										
Revenue*	948 5	836 8	1,073 5	1,047 8	896 1	638 0	523 7	500 3	539 5	583 7
Operating costs*	(664 7)	(581 7)	(717 4)	(684 1)	(585 8)	(413 3)	(354 2)	(353 3)	(389 4)	(398 6)
EBITDA*	283 8	255 1	356 1	363 7	310 3	224 7	169 5	147 0	150 1	185 1
Depreciation*	(185 0)	(186 6)	(201 1)	(176 6)	(159 8)	(113 6)	(102 4)	(102 8)	(111 0)	(117 8)
Operating profit*	98 8	68 5	155 0	187 1	150 5	111 1	67 1	44 2	39 1	67 3
Interest*	(67 8)	(63 5)	(67 6)	(74 8)	(69 1)	(43 6)	(44 7)	(36 6)	(40 9)	(49 1)
Pre-tax profit/(loss)*	31 0	5 0	87 4	112 3	81 4	67 5	22 4	7 6	(1 8)	18 2
Operating profit	97 1	66 0	68 4	184 5	101 1	124 5	67 1	16 2	0 6	72 5
Pre-tax profit/(loss)	1 7	4 8	0 8	109 7	(36 5)	81 7	32 2	(33 1)	(42 2)	(15 5)
<b>Cash flow</b>										
Cash flow from operations before exceptional items and changes in rental fleet	279 7	265 6	373 6	356 4	319 3	215 2	164 8	140 0	157 3	194 2
Total cash generated before exceptional costs and M&A	65 6	199 2	166 0	14 8	20 3	(5 2)	58 7	56 6	38 9	(29 4)
<b>Balance sheet</b>										
Capital expenditure	224 8	63 4	238 3	331 0	290 2	220 2	138 4	72 3	85 5	113 8
Book cost of rental equipment	1,621 6	1,701 3	1,798 2	1,528 4	1,434 1	921 9	800 2	813 9	945 8	971 9
Shareholders' funds	481 4	500 3	526 0	440 3	396 7	258 3	109 9	131 8	159 4	192 9
<b>In pence</b>										
Dividend per share	3 0p	2 9p	2 575p	2 5p	1 65p	1 50p	Nil	Nil	Nil	3 50p
Earnings per share	0 2p	0 4p	12 5p	14 2p	0 8p	13 5p	5 2p	(9 9p)	(9 5p)	1 1p
Underlying earnings per share	4 0p	0 2p	11 9p	14 8p	10 3p	11 3p	3 2p	(0 7p)	(0 4p)	13 7p
<b>In percent</b>										
EBITDA margin*	29 9%	30 5%	33 2%	34 7%	34 6%	35 2%	32 4%	29 4%	27 8%	31 7%
Operating profit margin*	10 4%	8 2%	14 4%	17 9%	16 8%	17 4%	12 9%	8 8%	7 2%	11 5%
Pre-tax profit/(loss) margin*	0 2%	0 6%	8 1%	10 7%	9 1%	10 6%	4 8%	1 5%	(0 3%)	3 1%
Return on investment*	7 0%	4 6%	9 7%	14 0%	12 9%	14 7%	11 0%	6 9%	4 9%	8 5%
<b>People</b>										
Employees at year end	8,163	7,218	8,162	9,594	10,077	6,465	5,935	5,833	6,078	6,545
<b>Locations</b>										
Stores at year end	462	498	520	635	659	413	412	428	449	463

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

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

# additional information

## Future dates

Quarter 1 results	6 September 2011
2011 Annual General Meeting	6 September 2011
Quarter 2 results	8 December 2011
Quarter 3 results	6 March 2012
Quarter 4 and year end results	21 June 2012

## Advisers

### Auditor

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

### Registrars & Transfer Office

Equiniti  
The Causeway  
Worthing  
West Sussex  
BN99 6DA

### Financial PR Advisers

The Maitland Consultancy  
Orion House  
5 Upper St Martin's Lane  
London  
WC2H 9EA

### Solicitors

Travers Smith LLP  
10 Snow Hill  
London  
EC1A 2AL

Skadden, Arps, Slate, Meagher  
& Flom LLP  
155 N Wacker Drive  
Chicago, IL 60606

Parker, Poe, Adams & Bernstein LLP  
401 South Tryon Street  
Charlotte, NC 28202

### Brokers

UBS Investment Bank Limited  
1 Finsbury Avenue  
London  
EC2M 2PP

RBS Hoare Govett Limited  
250 Bishopsgate  
London  
EC2M 4AA

### Registered number

1807982

### Registered Office

Kings House  
36-37 King Street  
London  
EC2V 8BB

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CONRAN DESIGN GROUP

**Ashtead Group plc**

Kings House

36-37 King Street

London

EC2V 8BB

Phone + 44 (0) 20 7726 9700

Fax + 44 (0) 20 7726 9705

[www.ashtead-group.com](http://www.ashtead-group.com)