21 June 2012

Audited results for the year and unaudited results for the fourth quarter ended 30 April 2012

Capitalising on structural change

	Fourth quarter			Year		
	2012	2011	Growth[1]	2012	2011	Growth[1]
	£m	£m	%	£m	£m	%
Underlying results[2]						
Revenue	287.8	242.8	+17%	1,134.6	948.5	+21%
EBITDA	88.7	63.3	+37%	381.1	283.8	+36%
Operating profit	38.0	18.2	+102%	181.3	98.8	+87%
Profit before taxation	25.6	2.7	+736%	130.6	31.0	+332%
Earnings per share	4.0p	0.4p	+820%	17.3p	4.0p	+344%
Statutory results						
Profit/(loss) before taxation	31.9	(19.9)	n/a	134.8	1.7	-
Earnings per share	4.7p	(2.6p)	n/a	17.8p	0.2p	-

[1] at constant exchange rates [2] before exceptionals, intangible amortisation and fair value remeasurements

Highlights

- Record Group pre-tax profit[2] for the year of £131m (2011: £31m)
- Group EBITDA margins of 34% (2011: 30%)
- £476m of capital invested in the business
- Group RoI, including goodwill, grew to 12% (2011: 7%)
- Net debt to EBITDA leverage reduced to 2.2 times (2011: 2.7 times)
- Proposed final dividend of 2.5p making 3.5p for the year (2011: 3.0p)

Ashtead's chief executive, Geoff Drabble, commented:

"We are delighted to report record Group profits, encouragingly delivered against a backdrop of end construction markets remaining at historically low levels.

This performance demonstrates the success of our largely organic investment strategy and our ability to generate significant revenue growth from market share gains and translate this into stronger margins through improved operational efficiency.

The momentum we have established, and the flexibility provided by our strong balance sheet, allows us to anticipate further growth with or without end market recovery. As a result, it is likely that our profits in the coming year will be ahead of our previous expectations."

<u>Contacts:</u>

Geoff Drabble	Chief executive	+44 (0)20 7726 9700
Ian Robson	Finance director	
Brian Hudspith	Maitland	+44 (0)20 7379 5151

Geoff Drabble, Ian Robson and Suzanne Wood will host a meeting for equity analysts to discuss the results at 9.30 am on Thursday 21 June at the offices of Jefferies Hoare Govett at Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ. This meeting will be webcast live via the Company's website at www.ashtead-group.com and a replay will be available from shortly after the call concludes. A copy of this announcement and the slide presentation used for the meeting will also be available for download on the Company's website. The usual conference call for bondholders will begin at 3pm (10am EST).

Analysts and bondholders have already been invited to participate in the meeting and conference call but anyone not having received dial-in details should contact the Company's PR advisers, Maitland (Astrid Wright) at +44 (0)20 7379 5151.

Trading results

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

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

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

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

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

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

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

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

Capital expenditure

We invested heavily in the past year to support our growth and prepare for the future. Capital expenditure for the year was £476m (2011: £225m) of which £426m was rental fleet replacement with the balance spent on delivery vehicles, property improvements and computers. Disposal proceeds were £90m (2011: £65m), giving net capital expenditure in the year of £386m (2011: £160m). The average net book value weighted age of the Group's rental fleet at 30 April 2012 was 37 months (2011: 44 months).

Gross expenditure exceeded the £425m guidance provided in March because we elected to bring forward into April deliveries originally scheduled for May. As a result, our capital expenditure guidance for 2012/13 is now lowered to reflect those early deliveries with our current plan being for gross additions of around £450m. The early deliveries do not impact the timing of when the expenditure will be paid for and accordingly we still expect net payments for capex of approximately £400m after disposal proceeds of approximately £100m. This level of expenditure is consistent with our strategy at this stage in the cycle of investing in organic growth, whilst both de-ageing our fleet and continuing to reduce our leverage.

Return on Investment

Sunbelt's pre-tax return on investment (operating profit to the sum of net tangible assets, goodwill and other intangibles) rose to 14.0% (2011: 8.6%). In the UK, return on investment remained weak at 2.9% (2011: 1.1%). For the Group as a whole, pre-tax return on investment of 12.0% (2011: 7.0%) is already significantly ahead of our pre-tax cost of capital.

Cash flow and net debt

Despite investing more than twice depreciation in our fleet, we were pleased to have achieved our objective of largely funding our organic growth from cash flow with only a net £13m free cash outflow (cash from operations less net capex, interest and tax) in the year (2011: £54m inflow). In addition £22m was spent on acquisitions (Topp - £21m & Empire deferred consideration - £1m) whilst dividends paid totalled £15m.

Reflecting our strong earnings growth, net debt to EBITDA leverage reduced to 2.2 times (2011: 2.7 times) whilst, including a £21m translation increase, year-end net debt was £854m (2011: £776m).

The Group's two debt facilities remain committed until 2016 (March 2016 for the senior bank facility and August 2016 for the $550m senior secured notes). In light of the Group's strong growth, the committed senior bank facility was recently increased in size from $1.4bn to $1.8bn with no changes to its pricing or other terms. At 30 April 2012, ABL availability under the enlarged facility was $735m – substantially above the level at which the Group's entire debt package is covenant free.

Dividends

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

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

Current trading and outlook

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

The momentum we have established, and the flexibility provided by our strong balance sheet, allows us to anticipate further growth with or without end market recovery. As a result, it is likely that our profits in the coming year will be ahead of our previous expectations.

Forward looking statements

This announcement 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.

Directors' responsibility statement on the annual report

The responsibility statement below has been prepared in connection with the Company's Annual Report & Accounts for the year ended 30 April 2012. Certain parts thereof are not included in this announcement.

"The Board confirms to the best of its knowledge (a) 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 (b) 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.

By order of the Board 20 June 2012"

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 30 APRIL 2012

	2012			2011		
	Before amortisation and remeasurements	Amortisation and remeasurements	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
	£m	£m	£m	£m	£m	£m
Fourth quarter – unaudited						
Revenue						
Rental revenue	246.4	-	246.4	208.7	-	208.7
Sale of new equipment, merchandise and consumables	11.6	-	11.6	10.5	-	10.5
Sale of used rental equipment	29.8	-	29.8	23.6	-	23.6
	287.8	-	287.8	242.8	-	242.8
Operating costs						
Staff costs	(84.8)	-	(84.8)	(77.4)	-	(77.4)
Used rental equipment sold	(28.0)	-	(28.0)	(20.2)	-	(20.2)
Other operating costs	(86.3)	-	(86.3)	(81.9)	-	(81.9)
	(199.1)	-	(199.1)	(179.5)	-	(179.5)
EBITDA*	88.7	-	88.7	63.3	-	63.3
Depreciation	(50.7)	-	(50.7)	(45.1)	-	(45.1)
Amortisation of intangibles	-	(1.0)	(1.0)	-	(0.7)	(0.7)
Operating profit	38.0	(1.0)	37.0	18.2	(0.7)	17.5
Investment income	1.1	7.3	8.4	0.9	-	0.9
Interest expense	(13.5)	-	(13.5)	(16.4)	(21.9)	(38.3)
Profit/(loss) on ordinary activities before taxation	25.6	6.3	31.9	2.7	(22.6)	(19.9)
Taxation:						
- current	(2.0)	-	(2.0)	(1.5)	2.5	1.0
- deferred	(3.8)	(2.6)	(6.4)	0.6	5.2	5.8
	(5.8)	(2.6)	(8.4)	(0.9)	7.7	6.8
Profit/(loss) attributable to equity holders of the Company	19.8	3.7	23.5	1.8	(14.9)	(13.1)
Basic earnings per share	4.0p	0.7p	4.7p	0.4p	(3.0p)	(2.6p)
Diluted earnings per share	3.9p	0.7p	4.6p	0.4p	(3.0p)	(2.6p)

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

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

Details of principal risks and uncertainties are given in the Review of Fourth Quarter, Balance Sheet and Cash Flow accompanying these financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2012

	2012			2011		
	Before amortisation and remeasurements	Amortisation and remeasurements	Total	Before exceptionals, amortisation and remeasurements	Exceptionals, amortisation and remeasurements	Total
	£m	£m	£m	£m	£m	£m
Year to 30 April 2012 - audited						
Revenue						
Rental revenue	1,005.9	-	1,005.9	846.5	-	846.5
Sale of new equipment, merchandise and consumables	44.7	-	44.7	41.4	-	41.4
Sale of used rental equipment	84.0	-	84.0	60.6	-	60.6
	1,134.6	-	1,134.6	948.5	-	948.5
Operating costs						
Staff costs	(334.0)	-	(334.0)	(291.0)	-	(291.0)
Used rental equipment sold	(74.6)	-	(74.6)	(55.0)	-	(55.0)
Other operating costs	(344.9)	-	(344.9)	(318.7)	-	(318.7)
	(753.5)	-	(753.5)	(664.7)	-	(664.7)
EBITDA*	381.1	-	381.1	283.8	-	283.8
Depreciation	(199.8)	-	(199.8)	(185.0)	-	(185.0)
Amortisation of intangibles	-	(3.1)	(3.1)	-	(1.7)	(1.7)
Operating profit	181.3	(3.1)	178.2	98.8	(1.7)	97.1
Investment income	4.2	7.3	11.5	3.7	-	3.7
Interest expense	(54.9)	-	(54.9)	(71.5)	(27.6)	(99.1)
Profit on ordinary activities before taxation	130.6	4.2	134.8	31.0	(29.3)	1.7
Taxation:						
- current	(7.7)	-	(7.7)	(6.0)	2.9	(3.1)
- deferred	(36.7)	(1.9)	(38.6)	(4.9)	7.2	2.3
	(44.4)	(1.9)	(46.3)	(10.9)	10.1	(0.8)
Profit attributable to equity holders of the Company	86.2	2.3	88.5	20.1	(19.2)	0.9
Basic earnings per share	17.3p	0.5p	17.8p	4.0p	(3.8p)	0.2p
Diluted earnings per share	16.9p	0.4p	17.3p	4.0p	(3.8p)	0.2p

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2012	2011	2012	2011
	£m	£m	£m	£m
Profit/(loss) attributable to equity holders of the Company for the period	23.5	(13.1)	88.5	0.9
Foreign currency translation differences	(8.4)	(9.0)	4.5	(17.5)
Actuarial (loss)/gain on defined benefit pension scheme	(6.2)	0.8	(6.2)	12.9
Tax on defined benefit pension scheme	1.5	0.5	1.5	(3.4)
Total comprehensive income for the period	10.4	(20.8)	88.3	(7.1)

CONSOLIDATED BALANCE SHEET AT 30 APRIL 2012

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2012

Audited

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2012

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

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements for the year ended 30 April 2012 were approved by the directors on 20 June 2012. This preliminary announcement of the results for the year ended 30 April 2012 contains information derived from the forthcoming 2011/12 Annual Report & Accounts and does not contain sufficient information to comply with International Financial Reporting Standards (IFRS) and does not constitute the statutory accounts for the purposes of section 435 of the Companies Act 2006. The 2010/11 Annual Report & Accounts has been delivered to the Registrar of Companies. The 2011/12 Annual Report & Accounts will be delivered to the Registrar of Companies and made available on the Group's website at www.ashtead-group.com in July 2012. The auditor's reports in respect of both years are unqualified, do not include a reference to any matter by way of emphasis without qualifying the report and do not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The results for the year ended and quarter ended 30 April 2012 have been prepared in accordance with relevant IFRS and the accounting policies set out in the Group's Annual Report & Accounts for the year ended 30 April 2011 except for the adoption of the 'Amendments to IFRS 7 Financial instruments: disclosures – transfers of financial assets'. This amendment has no impact on the consolidated results or financial position of the Group.

The financial statements have been prepared on the going concern basis. After reviewing the Group's annual budget, plans and financing arrangements, the directors consider that the Group has 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.

The figures for the fourth quarter are unaudited.

The exchange rates used in respect of the US dollar are:

	2012	2011
Average for the quarter ended 30 April	1.59	1.62
Average for the year ended 30 April	1.59	1.56
At 30 April	1.62	1.67

NOTES TO THE FINANCIAL STATEMENTS

2. Segmental analysis

	Revenue	Operating profit before amortisation	Amortisation	Operating profit
Three months to 30 April	£m	£m	£m	£m
2012				
Sunbelt	237.2	38.4	(0.5)	37.9
A-Plant	50.6	1.9	(0.5)	1.4
Corporate costs	-	(2.3)	-	(2.3)
	287.8	38.0	(1.0)	37.0
2011				
Sunbelt	198.2	20.5	(0.3)	20.2
A-Plant	44.6	(0.4)	(0.4)	(0.8)
Corporate costs	-	(1.9)	-	(1.9)
	242.8	18.2	(0.7)	17.5
Year to 30 April				
2012				
Sunbelt	945.7	181.9	(1.4)	180.5
A-Plant	188.9	7.3	(1.7)	5.6
Corporate costs	-	(7.9)	-	(7.9)
	1,134.6	181.3	(3.1)	178.2
2011				
Sunbelt	782.7	103.6	(0.8)	102.8
A-Plant	165.8	2.7	(0.9)	1.8
Corporate costs	-	(7.5)	-	(7.5)
	948.5	98.8	(1.7)	97.1

	Segment assets	Cash	Taxation assets	Other financial assets - derivatives	Total assets
At 30 April 2012					
Sunbelt	1,549.4	-	-	-	1,549.4
A-Plant	301.4	-	-	-	301.4
Corporate items	0.1	23.4	2.6	7.2	33.3
	1,850.9	23.4	2.6	7.2	1,884.1
At 30 April 2011					
Sunbelt	1,284.4	-	-	-	1,284.4
A-Plant	291.8	-	-	-	291.8
Corporate items	0.1	18.8	3.4	-	22.3
	1,576.3	18.8	3.4	-	1,598.5

NOTES TO THE FINANCIAL STATEMENTS

3. Operating costs

	2012			2011		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 30 April						
Staff costs:						
Salaries, bonuses and commissions	76.0	-	76.0	69.8	-	69.8
Social security costs	7.2	-	7.2	7.1	-	7.1
Other pension costs	1.6	-	1.6	0.5	-	0.5
	84.8	-	84.8	77.4	-	77.4
Used rental equipment sold	28.0	-	28.0	20.2	-	20.2
Other operating costs:						
Vehicle costs	21.0	-	21.0	20.1	-	20.1
Spares, consumables & external repairs	17.1	-	17.1	15.1	-	15.1
Facility costs	11.3	-	11.3	11.5	-	11.5
Other external charges	36.9	-	36.9	35.2	-	35.2
	86.3	-	86.3	81.9	-	81.9
Depreciation and amortisation:						
Depreciation	50.7	-	50.7	45.1	-	45.1
Amortisation of acquired intangibles	-	1.0	1.0	-	0.7	0.7
	50.7	1.0	51.7	45.1	0.7	45.8
	249.8	1.0	250.8	224.6	0.7	225.3
Year to 30 April						
Staff costs:						
Salaries, bonuses and commissions	304.0	-	304.0	266.1	-	266.1
Social security costs	24.1	-	24.1	22.6	-	22.6
Other pension costs	5.9	-	5.9	2.3	-	2.3
	334.0	-	334.0	291.0	-	291.0
Used rental equipment sold	74.6	-	74.6	55.0	-	55.0
Other operating costs:						
Vehicle costs	84.2	-	84.2	75.6	-	75.6
Spares, consumables & external repairs	62.8	-	62.8	58.8	-	58.8
Facility costs	47.0	-	47.0	45.4	-	45.4
Other external charges	150.9	-	150.9	138.9	-	138.9
	344.9	-	344.9	318.7	-	318.7
Depreciation and amortisation:						
Depreciation	199.8	-	199.8	185.0	-	185.0
Amortisation of acquired intangibles	-	3.1	3.1	-	1.7	1.7
	199.8	3.1	202.9	185.0	1.7	186.7
	953.3	3.1	956.4	849.7	1.7	851.4

NOTES TO THE FINANCIAL STATEMENTS

4. Exceptional items, amortisation and fair value remeasurements

Exceptional items are those items of financial performance that are material and non-recurring in nature. Amortisation relates to the periodic write off of acquired intangible assets. Fair value remeasurements relate to embedded call options in the Group's senior secured note issue. The Group believes these items should be disclosed separately within the consolidated income statement to assist in the understanding of the financial performance of the Group. Underlying revenue, profit and earnings per share are stated before exceptional items, amortisation of acquired intangibles and fair value remeasurements.

Exceptional items, amortisation and fair value remeasurements are set out below:

	Three months to 30 April		Year to 30 April	
	2012	2011	2012	2011
	£m	£m	£m	£m
Write off of deferred financing costs	-	15.4	-	15.4
Early redemption fee	-	6.5	-	6.5
Fair value remeasurements	(7.3)	-	(7.3)	5.7
Amortisation of acquired intangibles	1.0	0.7	3.1	1.7
	(6.3)	22.6	(4.2)	29.3
Taxation	2.6	(7.7)	1.9	(10.1)
	(3.7)	14.9	(2.3)	19.2

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

The items detailed in the table above are presented in the income statement as follows:

	Three months to 30 April		Year to 30 April	
	2012	2011	2012	2011
	£m	£m	£m	£m
Amortisation of acquired intangibles	1.0	0.7	3.1	1.7
Charged in arriving at operating profit	1.0	0.7	3.1	1.7
Investment income	(7.3)	-	(7.3)	-
Interest expense	-	21.9	-	27.6
Charged in arriving at profit before taxation	(6.3)	22.6	(4.2)	29.3
Taxation	2.6	(7.7)	1.9	(10.1)
	(3.7)	14.9	(2.3)	19.2

NOTES TO THE FINANCIAL STATEMENTS

5. Financing costs

	Three months to 30 April		Year to 30 April	
	2012	2011	2012	2011
	£m	£m	£m	£m
Investment income:				
Expected return on assets of defined benefit pension plan	(1.1)	(0.9)	(4.2)	(3.7)
Interest expense:				
Bank interest payable	4.0	3.2	16.9	15.7
Interest payable on second priority senior secured notes	7.8	10.8	31.1	45.3
Interest payable on finance leases	-	-	0.2	0.2
Non-cash unwind of discount on defined benefit pension plan liabilities	0.7	0.9	3.0	3.5
Non-cash unwind of discount on self-insurance provisions	0.4	0.3	1.3	1.4
Amortisation of deferred costs of debt raising	0.6	1.2	2.4	5.4
Total interest expense	13.5	16.4	54.9	71.5
Net financing costs before exceptional items and remeasurements	12.4	15.5	50.7	67.8
Exceptional items	-	21.9	-	21.9
Fair value remeasurements	(7.3)	-	(7.3)	5.7
Net financing costs	5.1	37.4	43.4	95.4

6. Taxation

The tax charge for the period has been computed using an estimated effective rate for the year of 39% in the US (2011: 21%) and 27% in the UK (2011: 31%). The blended effective rate for the Group as a whole is 34% (2011: 35%).

The tax charge of £44.4m (2011: £10.9m) on the underlying pre-tax profit of £130.6m (2011: £31.0m) can be explained as follows:

	Year to 30 April	
	2012	2011
	£m	£m
Current tax		
- current tax on income for the year	8.1	7.3
- adjustments to prior years	(0.4)	(1.3)
	7.7	6.0
Deferred tax		
- origination and reversal of temporary differences	37.7	2.8
- adjustments to prior years	(1.0)	2.1
	36.7	4.9
Tax on underlying activities	44.4	10.9
Comprising:		
- UK tax	10.1	11.0
- US tax	34.3	(0.1)
	44.4	10.9

In addition, the tax charge of £1.9m (2011: credit of £10.1m) on exceptional items, amortisation and fair value remeasurements of £4.2m (2011: loss of £29.3m) consists of a current tax credit of £nil (2011: £2.9m) relating to the UK, a deferred tax credit of £0.5m (2011: £0.2m) relating to the UK and a deferred tax charge of £2.4m (2011: credit of £7.0m) relating to the US.

NOTES TO THE FINANCIAL STATEMENTS

7. Earnings per share

Basic and diluted earnings per share for the three and twelve months ended 30 April 2012 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held in treasury and by the ESOT over which dividends have been waived). Diluted earnings per share is computed using the result for the relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

		Three months to 30 April		Year to 30 April	
		2012	2011	2012	2011
Profit/(loss) for the financial period (£m)		23.5	(13.1)	88.5	0.9
Weighted average number of shares (m)	- basic	498.8	497.7	498.3	497.7
	- diluted	509.7	505.6	511.2	504.2
Basic earnings per share		4.7p	(2.6p)	17.8p	0.2p
Diluted earnings per share		4.6p	(2.6p)	17.3p	0.2p

Underlying earnings per share (defined in any period as the earnings before exceptional items, amortisation of acquired intangibles and fair value remeasurements for that period divided by the weighted average number of shares in issue in that period) and cash tax earnings per share (defined in any period as underlying earnings before other deferred taxes divided by the weighted average number of shares in issue in that period) may be reconciled to the basic earnings per share as follows:

	Three months to 30 April		Year to 30 April	
	2012	2011	2012	2011
Basic earnings per share	4.7p	(2.6p)	17.8p	0.2p
Exceptional items, amortisation of acquired intangibles and fair value remeasurements	(1.2p)	4.6p	(0.9p)	5.9p
Tax on exceptionals, amortisation and remeasurements	0.5p	(1.6p)	0.4p	(2.1p)
Underlying earnings per share	4.0p	0.4p	17.3p	4.0p
Other deferred tax	0.7p	(0.1p)	7.4p	1.0p
Cash tax earnings per share	4.7p	0.3p	24.7p	5.0p

8. Dividends

During the year, a final dividend in respect of the year ended 30 April 2011 of 2.07p (2010: 2.0p) per share and an interim dividend for the year ended 30 April 2012 of 1.0p (2011: 0.93p) per share were paid to shareholders costing £15.3m (2011: £14.6m).

NOTES TO THE FINANCIAL STATEMENTS

9. Property, plant and equipment

	2012		2011	
	Rental equipment	Total	Rental equipment	Total
Net book value	£m	£m	£m	£m
At 1 May	914.5	1,036.2	969.7	1,101.6
Exchange difference	22.4	25.0	(55.9)	(62.5)
Reclassifications	(0.6)	-	(0.5)	-
Additions	426.2	476.4	202.4	224.8
Acquisitions	2.1	2.8	11.7	12.1
Disposals	(71.3)	(77.2)	(50.9)	(54.8)
Depreciation	(174.9)	(199.8)	(162.0)	(185.0)
At 30 April	1,118.4	1,263.4	914.5	1,036.2

10. Called up share capital

Ordinary shares of 10p each:

	2012 Number	2011 Number	2012 £m	2011 £m
Authorised	900,000,000	900,000,000	90.0	90.0
Allotted, called up and fully paid	553,325,554	553,325,554	55.3	55.3

At 30 April 2012, 50m shares were held by the Company and a further 4.6m shares were held by the Company's Employee Share Ownership Trust.

11. Notes to the cash flow statement

	Year to 30 April	
	2012	2011
	£m	£m
a) Cash flow from operating activities		
Operating profit before exceptional items and amortisation	181.3	98.8
Depreciation	199.8	185.0
EBITDA before exceptional items	381.1	283.8
Profit on disposal of rental equipment	(9.4)	(5.6)
Profit on disposal of other property, plant and equipment	(1.1)	(0.8)
Increase in inventories	(0.4)	(2.6)
Increase in trade and other receivables	(20.2)	(21.2)
Increase in trade and other payables	12.1	24.7
Exchange differences	-	(0.2)
Non-cash share-based remuneration expense	2.5	1.6
Cash generated from operations before exceptional items and changes in rental equipment	364.6	279.7

NOTES TO THE FINANCIAL STATEMENTS

11. Notes to the cash flow statement (continued)

b) Reconciliation of net debt

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

c) Analysis of net debt

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

d) Acquisitions

	Year to 30 April 2012 £m	Year to 30 April 2011 £m
Cash consideration paid	21.9	34.8

Details of the Group's cash and debt are given in the Review of Fourth Quarter, Balance Sheet and Cash Flow accompanying these financial statements.

12. Contingent liabilities

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

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

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

13. Acquisition of Topp Construction Services, Inc. (“Topp”)

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

Topp is a specialist rental provider of air conditioning, heating and dehumidification equipment based in Philadelphia with 16 branches located principally in major cities across the United States. Precision runs a small assembly and manufacturing facility in support of Topp’s business.

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

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

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

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

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

REVIEW OF FOURTH QUARTER, BALANCE SHEET AND CASH FLOW

Fourth quarter	Revenue		EBITDA		Operating profit	
	2012	2011	2012	2011	2012	2011
Sunbelt in $m	376.6	321.0	124.3	90.2	61.1	33.7
Sunbelt in £m	237.2	198.2	78.3	55.4	38.4	20.5
A-Plant	50.6	44.6	12.6	9.8	1.9	(0.4)
Group central costs	-	-	(2.2)	(1.9)	(2.3)	(1.9)
	287.8	242.8	88.7	63.3	38.0	18.2
Net financing costs					(12.4)	(15.5)
Profit before tax, exceptionals, remeasurements and amortisation					**25.6**	**2.7**
Exceptional items					-	(21.9)
Fair value remeasurements					7.3	-
Amortisation					(1.0)	(0.7)
Total Group profit before taxation					31.9	(19.9)
Margins						
Sunbelt			*33.0%*	*28.1%*	*16.2%*	*10.5%*
A-Plant			*24.8%*	*22.0%*	*3.6%*	*-1.0%*
Group			*30.8%*	*26.1%*	*13.2%*	*7.5%*

Fourth quarter results reflect continued progress at Sunbelt with its rental revenue growing 19% to $323m (2011: $273m). This comprised a 13% increase in average fleet on rent and 6% higher yield. In the UK, A-Plant's fourth quarter rental revenue grew by 5% to £43m (2011: £41m) including 3% yield improvement and 1% growth in average fleet on rent.

Total revenue growth for the Group of 19% included higher used equipment sales revenue of £30m (2011: £24m) as we increased capital expenditure and hence sold more used equipment.

Costs remained under close control as reflected in the high 'drop-through' seen all year with Sunbelt's EBITDA increasing by $34m or 67% of the $50m increase in fourth quarter rental revenue. Both businesses grew Q4 operating profit significantly with A-Plant notably avoiding a loss in the seasonally weak fourth quarter this year.

Group pre-tax profit before fair value remeasurements and amortisation was £26m (2011: £3m). This reflected the operating profit growth and lower net financing costs of £12m (2011: £15m), mainly as a result of the benefits of the debt refinancing undertaken in the fourth quarter of 2010/11. After a non-cash credit of £7m relating to the remeasurement to fair value of the early prepayment option in our long-term debt and £1m of intangible amortisation, the statutory profit before tax was £32m (2011: loss of £20m).

Balance sheet

Fixed assets

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

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

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

With good demand in the US, $296m of rental equipment capital expenditure was spent on growth while $300m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that maintenance capital expenditure in any period is equal to the original cost of equipment sold.

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

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

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

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

Trade receivables

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

Trade and other payables

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

Cash flow and net debt

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

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

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

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

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

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

Net debt

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

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

At year end $1.4bn was committed by our senior lenders under the asset-based bank facility until March 2016 while the amount utilised was $918m (including letters of credit totalling $25m). Since year end the Company has obtained additional commitments from its lenders which have increased the size of the asset-based bank facility by $400m to $1.8bn with no other changes to its terms or to the March 2016 maturity. The $550m 9% senior secured notes are committed until August 2016.

Our debt facilities therefore remain committed for the long term, with an average of 4.1 years remaining at 30 April 2012. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 5%.

Financial performance covenants under the 9% senior secured note issue 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 LTM EBITDA before exceptional items not to exceed 4.0 times; and
- a fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last twelve months) which must be equal to or greater than 1.1.

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

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

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.

<u>Market risk</u>

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

The Group has fixed and variable rate debt in issue with 38% of the drawn debt at a fixed rate as at 30 April 2012. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result, the carrying value of fixed rate debt is unaffected by changes in credit conditions in the debt markets and there is therefore no exposure to fair value interest rate risk. The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the senior secured credit facility. The interest rates currently applicable to this variable rate debt are LIBOR as applicable to the currency borrowed (US dollars or pounds) plus 225bp.

The Group periodically utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. However, during the year ended and as at 30 April 2012, the Group had no such outstanding swap agreements. The Group also holds cash and cash equivalents, which earn interest at a variable rate.

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 virtually all of its debt is also denominated in US dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 30 April 2012, dollar denominated debt represented approximately 75% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 30 April 2012, a 1% change in the US dollar exchange rate would impact pre-tax profit by £1.3m.

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

Credit risk

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

Liquidity risk

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

The Group generates significant free cash flow (defined as cash flow from operations less replacement capital expenditure net of proceeds of asset disposals, interest paid and tax paid). This free cash flow is available to the Group to invest in growth capital expenditure, acquisitions and dividend payments or to reduce debt.

In addition to the free cash flow from normal trading activities, additional liquidity is available through the Group's ABL facility. At 30 April 2012, excess availability under the enlarged $1.8bn facility was $735m (£453m).

Principal risks and uncertainties

The Group faces a number of risks and uncertainties in its day-to-day operations and it is management's role to mitigate and manage these risks. The Board has established a formal risk management process which has identified the following principal risks and uncertainties which could affect employees, operations, revenue, profits, cash flows and assets of the Group.

<u>Economic conditions</u>

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

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

<u>Competition</u>

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

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

<u>Financing</u>

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

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

Business continuity

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

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

People

Potential impact
Retaining and attracting good people is key to delivering superior performance and customer service. Excessive staff turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and would ultimately impact our financial performance adversely.

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

Health and safety

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

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

Compliance with laws and regulations

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

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

Environmental

Potential impact
We need to comply with the numerous laws governing environmental protection and occupational health and safety matters. These laws regulate such issues as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. Breaches potentially create hazards to our employees, damage to our reputation and expose the Group to, amongst other things, the cost of investigating and remediating contamination and also fines and penalties for non-compliance.

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

OPERATING STATISTICS

	Profit centre numbers		Staff numbers	
	2012	2011	2012	2011
Sunbelt	376	356	6,605	6,231
A-Plant	109	106	1,939	1,921
Corporate office	-	-	11	11
Group	485	462	8,555	8,163

Sunbelt's profit centre numbers include 16 stores resulting from the acquisition of Topp.