Ashtead Group PLC

Preliminary results for the year ended 30 April 2002

- Turnover up 6% to £583.7m (2000/1 - £552.0m)
- Profit before exceptional items, goodwill amortisation and taxation of £28.9m (£41.2m) with second half ahead of trading statement forecasts
- EPS of 6.2p (8.9p) based on the above profits and a notional 30% tax charge
- After mainly non-cash exceptional charges and goodwill, the FRS 3 loss before tax is £15.5m (profit of £11.1m) and the profit after tax is £3.7m (£2.2m)
- FRS 14 EPS of 1.1p (0.7p)
- Recommended final dividend of 2.88p per share maintaining the full year dividend of 3.5p
- Net cash inflow from operations up 17% to £202.0m (£173.0m)
- Like for like debt* repayment of £48.5m in the year
- Bank covenants renegotiated in April to provide greater flexibility
- US continues to outperform its competitors and 23 new profit centres opened
- Benefits emerging from new UK strategy

* Net bank debt plus bills of exchange

Ashtead's Chief Executive, George Burnett, commented:

"I am pleased that our overall performance exceeded the forecast in our previous trading statements. Although Sunbelt suffered a modest decline in operating profit this was a strong performance in difficult conditions as the US economy slipped into recession, particularly after September 11. A-Plant is now under new management and has reorganised its structure and its fleet. The current number of rental contracts is at its highest level in the UK for six months and in the US since last September."

"A-Plant is now in a much stronger position to compete and increase its market share. The recession of the early nineties was a catalyst for the growth of the rental market in the UK. In the same way, the current US recession is likely to prompt the acceleration of the shift from ownership to rental. This will give Sunbelt a huge opportunity over the next few years to continue to increase its current estimated 2.5% share in a market independently forecast to grow faster than the US economy as a whole."

PRESS RELEASE

In its trading statements of March and May, the Board envisaged a broadly breakeven second half to add to the £25.8m profit before exceptional items, goodwill amortisation and taxation earned in the six months to 31 October 2001. In the event the final outcome for the year was £28.9m. This compares with a profit before exceptional items, goodwill amortisation and taxation of £41.2m in the previous year. This decline reflects recessionary conditions in the Group's largest market, the United States, and a disappointing performance in the UK and Ireland. In the former case, however, there is clear evidence that Sunbelt is outperforming its major competitors; in the latter, steps have been taken to secure improved performance by A-Plant.

Group revenues increased by 6% to £583.7m (£552.0m). After exceptional costs, principally the loss on the asset disposal programme announced last September and a tax credit (principally of deferred tax under FRS 19) of £19.2m, there was an after tax profit of £3.7m (2000/1 - £2.2m) giving earnings per share of 1.1p (2000/1 - 0.7p). Earnings per share based on the £28.9m profit before exceptional items, goodwill amortisation and taxation and a notional tax rate of 30 per cent were 6.2p per share (2000/1 – 8.9p).

Dividend

During the Group's 15-year history as a public company, the dividend has been increased every year except one. That was ten years ago, in the middle of the severe UK recession, when the previous year's level was maintained. After nine years of dividend growth the Board believes an unchanged dividend to be again appropriate for the current year. A final dividend of 2.88p per share is therefore proposed, giving a total for the year of 3.5 pence per share (2000/1 - 3.5 pence per share). This represents an effective cover of 2.3 times on a cash basis (given that goodwill amortisation, the exceptional loss from the UK asset disposal programme and deferred taxation are non-cash items).

Sunbelt

Sunbelt Rentals, Ashtead's US business, increased its revenues by 10.6% from £345.7m to £382.2m, achieving same store growth of 3.3%. As a result, it was able to consolidate its number five position in the $23bn US rental market as Sunbelt and the market leader were the only major players to achieve any like-for-like growth. Although Sunbelt suffered a modest decline in operating profit, this was a strong performance in difficult market conditions as the US economy slipped into recession, particularly after September 11. Operating margins at a still healthy 14.9% given the trading conditions were also adversely affected by the drag effect of opening 23 new locations during the year. Of these, 5 were "warm starts" – small bolt-on acquisitions – with the remainder being greenfield openings. With the BET acquisition fully integrated into the Sunbelt network and culture, the process of infill was started. Of the 23 new businesses, 17 were in areas supporting the former BET businesses. Sunbelt further consolidated its current position and its future potential in the US rental market by being the only major player not to have a depot closure programme.

Capital expenditure on rental equipment in the year was £67.0m, significantly below the 2000/1 figure of £146.3m, and in line with its rental fleet depreciation of £67.4m. Fleet utilisation was maximised by meeting 64% of the capital needs of the 23 new businesses from existing resources (18% for 10 new businesses in 2000/1).

A-Plant

The past year was a difficult one for A-Plant. A marginal (0.9%) increase in first-half turnover was followed by a 8.8% fall in the seasonally slower second half and led to an annual decline in turnover of 3.9% to £187.0m (£194.5m) and a £12.1m reduction in operating profits to £13.0m due to the effects of operational gearing. Hire companies, such as A-Plant, with a significant customer base outside the construction industry have encountered a more difficult market, particularly in the manufacturing sector. In A-Plant's case, the strategic decision to discontinue lower margin high-risk business and to rationalise its fleet also contributed to the reduction in turnover. This major logistical exercise, though a short-term distraction from its very scale, was completed on schedule by the year-end.

In March, Sat Dhaiwal, newly appointed Chief Executive of A-Plant, led an exhaustive review of the entire A-Plant rental fleet, including a physical examination of every asset not on hire to a customer. As a result, a number of under performing assets were added to the disposal programme taking the total exceptional charge to £32.6m. At the same time, A-Plant has been restructured. As a result of the changes, the specialist businesses, such as Powered Access, Accommodation, Rail, Welding and Power Generation, have been removed from the regional structure and are now managed by experts in their field who hold national profit accountability. The regional businesses in turn have been more closely focussed on tool hire and general equipment at the national and local level and there has been an infusion of new management talent at the most senior level within the Company.

Two significant steps have been taken to secure additional revenues. The major accounts team, which has been successful in growing our business through sole and preferred supply agreements with national customers such as Transco and large regional players, has been increased from two to twelve. Secondly, A-Plant's small equipment businesses have been given a separate "Tool Hire Shops" identity and the rollout of this brand is already under way.

Capital expenditure on the rental fleet, significantly reduced since October 2000, was kept under tight control, amounting to £26.7m (2000/1: £67.0m). This compared with depreciation on the rental fleet of £40.6m.

Ashtead Technology

Ashtead Technology increased its turnover by 22.9% to £14.5m in the year, of which like-for-like growth from the survey and inspection division was 11%. The year to 30 April 2002 was the first full year of ownership of the environmental testing division acquired in October 2000. This division, although entirely based in North America held up well throughout the year achieving like-for-like sales up 3%. More importantly, its rental revenues increased by 17% reflecting reduced emphasis on lower margin sales business.

In the Survey and Inspection Division, the Far East and Australian markets were strong with offshore field development more than replacing subsea cable business lost in the collapse of the telecom market. The North Sea and Gulf of Mexico were slower in the second half although West Africa and Brazil provided some counterbalance.

Overall operating profits rose 13.8% in the year to £4.1m with operating margins of 28.3% remaining strong.

Financial

Total capital expenditure in the year was £113.8m, less than half the previous year's figure of £237.7m. The average age of the rental fleet at 30 April 2002 was 41 months against an average working life for the equipment in the fleet of over 100 months. As noted above, the net cash inflow in the year was a record £202.0m (£173.0m). This facilitated a like for like reduction of £48.5m of senior debt (as defined by the Group's banking agreements). Further substantial pay downs of debt are anticipated in 2003 and 2004.

The Group operates mostly from leasehold properties. It manages its fleet of cars and commercial vehicles on a contract hire basis. It also has operating lease arrangements for minor items such as photocopiers and faxes. It has no other form of off balance sheet financing.

The Group did not breach any of its quarterly banking covenants in the year. However, given the changed economic circumstances in the United States the Group requested greater flexibility in its covenant package. The requested adjustments were unanimously approved by the Company's bank group in April 2002. Total headroom against the Group's banking facilities as at 30 April 2002 was £66.8m.

The £19.2m tax credit for the year incorporates a minimal current tax charge and a deferred tax credit relating to the structure created to fund the BET acquisition. In cash flow terms the level of cash tax payments will be significantly less than ten per cent of profits for the foreseeable future.

Current Trading & Future Prospects

Although the current number of rental contracts is at its highest level in the UK for 6 months and in the USA since last September, group turnover for the two months ended June 2002 was 6% down on a year on year basis at actual rates of exchange and 3% down at comparable rates of exchange, reflecting the fact that comparative group revenues declined throughout last year as economic conditions deteriorated. In the coming year, the Board anticipates the reverse of this trend with year on year growth expected to improve as the year progresses.

In the UK and Ireland determining the future progress of the economy remains uncertain although overall a modest improvement is expected over the next 12 months. What is more certain is that A-Plant has in the past year addressed issues it needed to confront and is in a much stronger position to compete. Ashtead Technology should continue to make progress, although the offshore market will remain patchy in the coming months.

In the United States, the Board expects the market to be generally flat for the rest of 2002 with the possibility of improving conditions in early 2003. Sunbelt should, however, continue to gain market share. By retaining the integrity of its profit centre structure and investing in new businesses, Sunbelt has maintained its revenue line - crucial in a fixed cost business - just as the Group did a decade ago in the UK recession. A further five new profit centres are planned for the coming year. The recession of the early nineties was a catalyst for the growth of the rental market in the UK and of A-Plant in particular. In the same way, the current US recession is likely to prompt an acceleration of the shift from ownership to rental and give Sunbelt a huge opportunity over the next few years to continue to increase its current estimated 2.5% share in a market independently forecast to grow faster than the US economy as a whole.

There will be a presentation to analysts at 9.00am at the offices of WestLB Panmure at Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA. A simultaneous webcast of the meeting and a copy of the slides will be available through the company's website, www.ashtead-group.com. A recorded playback will also be available shortly after the meeting.

ENDS

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FINANCIAL REVIEW

Introduction

The foregoing press release, this financial review and the attached financial information comprise the preliminary announcement of the 2001/2 results and have been prepared to give the disclosures suggested in the Accounting Standards Board's guidance for the content of such announcements.

This year, for the first time and in line with evolving best practice, the preliminary announcement is being made on the basis of audited (rather than unaudited) information with the annual accounts having been approved by the Board and by PricewaterhouseCoopers, the Group's auditors, on 8 July 2002. After printing they will be mailed to shareholders in early August.

Profit & loss account

Revenue

Total revenue grew by 5.7% to £583.7m. Sunbelt Rentals revenue increased from £345.7m to £382.2m, an increase of 10.6% of which 5.5% was derived from the inclusion of BET USA (acquired 1 June 2000) revenues for an additional month in the current year. Same store revenues, being revenues from profit centres open throughout both financial years, grew 3.3%. A-Plant's total and same store revenues declined 3.9% from £194.5m to £187.0m whilst Ashtead Technology's revenues grew 22.9% from £11.8m to £14.5m with same store revenues growing 11.0%.

Depreciation and gain on sale of fixed assets

Depreciation charge	Rental equipment	Other assets	Total	2000/1
	£m	£m	£m	£m
Sunbelt Rentals	67.4	3.6	71.0	60.4
A-Plant	40.6	5.1	45.7	50.1
Technology	4.2	-	4.2	4.0
	112.2	8.7	120.9	114.5

The gain on sale of assets in the ordinary course of trading this year was £1.5m compared with £6.8m in the previous year.

Segmental performance	Revenues		Operating profit less finance lease interest		Net assets	
	2002	2001	2002	2001	2002	2001
	£m	£m	£m	£m	£m	£m
				(restated)		(restated)
Sunbelt Rentals	382.2	345.7	56.9	64.1	652.5	615.8
A-Plant	187.0	194.5	13.0	25.1	245.5	283.6
Ashtead Technology	14.5	11.8	4.1	3.6	12.9	12.2
Redundant BET staff salaries	-	-	-	(2.5)	-	-
Prior year lease impact	-	-	1.7	(1.7)	-	(31.2)
Central items *	-	-	-	-	(716.4)	(678.3)
	583.7	552.0	75.7	88.6	194.5	202.1
Bank interest payable			(39.2)	(40.8)		
Convertible loan note interest			(7.6)	(6.6)		
Profit before exceptional items, goodwill amortisation and tax			28.9	41.2		

* Net bank debt, finance lease obligations and convertible loan plus deferred taxation

This year the segmental analysis of profitability by business is based on the operating profit before exceptional items and goodwill amortisation of £81.3m less finance lease interest of £5.6m because this provides a better comparison between this year and last following the capitalisation this year of acquired BET leases. Adjustment has also been made for the prior year effect of the revised treatment. These adjustments are discussed further under acquisitions below.

On this basis, Sunbelt's profits declined by £7.2m in the year, reflecting the impact of the US economic downturn which was particularly noticeable in the second half. A-Plant's profits fell by £12.1m reflecting its 3.9% revenue decline and the competitiveness of its main markets. Technology continued to grow strongly although its second half was affected by the weak offshore market in the Gulf of Mexico and by a slow start to the season in the North Sea.

Net assets employed declined in A-Plant reflecting the impact of the disposal programme whereas the rise in Sunbelt relates to investment in expansion at its existing profit centres and to the net capital expenditure of £11.8m in the 23 new profit centres this year (comprising gross expenditure of £33.1m less equipment transferred from other profit centres of £21.3m).

Exceptional loss on disposal

The exceptional loss on disposal arose as a result of the programme, originally announced at the 2001 Annual General Meeting on 8 October 2001, to dispose of surplus assets in A-Plant. The increase of £2.6m in the final cost from the £30.0m estimated at the half year reflects further analysis undertaken by Sat Dhaiwal and the new A-Plant management team following his appointment on 4 March 2002. All assets subject to the programme have now been sold and the programme was completed on schedule by year-end.

Taxation

Reflecting one of the benefits of the capital intensive nature of the Group's operations the current tax charge for the year continues to be very low at £0.6m. There was also a prior year credit for current tax of £0.9m reflecting cautious provisioning now released following agreement of the tax computations for the affected years. The effective current tax rate is expected to remain at very low levels (significantly less than ten percent) for the foreseeable future due to the continuing availability of tax losses in the US and unclaimed tax depreciation in the UK and to benefits arising from the structure of the BET USA acquisition.

The new UK standard on deferred tax, FRS 19, which requires full provision to be made for deferred tax as opposed to the partial provision method previously applicable under SSAP 15, came into effect this year. Adoption of FRS 19 has been dealt with as a prior period adjustment and increases the deferred tax provision at 30 April 2001 from £4.0m previously reported to a restated £66.0m at that date and to £41.1m at 30 April 2002 but has no impact on the amount of tax the Group will actually pay in years to come.

Under FRS 19 the Group's full year effective tax rate (for the current year element of the tax charge) is 11% which is lower than the UK statutory rate due to tax benefits arising from the structure set up to fund the BET USA acquisition. It is also lower than the effective tax rate estimated at the half year because of revisions to the assumptions underlying the calculation of these benefits. The prior year deferred tax credit also relates to tax benefits deriving from the structure used to fund the BET USA acquisition not previously recognised but, in this case, for benefits in respect of the 2000/1 year. Overall the total tax credit for the year is £19.2m of which £0.3m is the net current tax credit and £18.9m is the deferred tax credit (2000/1 – a total restated tax charge of £8.9m).

Balance sheet

Fixed Assets

Total additions to fixed assets in the year were £113.8m (2001 - £237.7m) of which £98.0m (2001 - £217.5m) was spent on rental equipment as follows:

	2002			2001		
	Expansion	Replacement	Total	Expansion	Replacement	Total
	£m	£m	£m	£m	£m	£m
Sunbelt	30.8	36.2	67.0	91.0	55.3	146.3
A-Plant	10.6	16.1	26.7	36.3	30.7	67.0
Technology	3.4	0.9	4.3	3.3	0.9	4.2
	44.8	53.2	98.0	130.6	86.9	217.5

Capital expenditure was less than half that of 2001 reflecting the US economic slowdown and the continuation of the policy of restricting UK investment in place since October 2000. For the first time since the UK recession of the early nineteen nineties, capital expenditure at £113.8m was lower than the depreciation charge of £120.9m.

Despite lower capital expenditure the Group retains a relatively young rental fleet with an overall age at 30 April 2002 of 41 months (comprising Sunbelt of 41 months and A-Plant of 43 months). In the coming year the Group currently anticipates that capital expenditure will again fall below the level of the depreciation charge and will amount to approximately £75m. This will still be sufficient to complete a significant replacement programme and gives an estimated average overall fleet age of 49 months at 30 April 2003 compared with the estimated average working life of the equipment in the fleet of over 100 months.

Current assets

Stocks of resale items, parts and consumables reduced by 15.7% to £12.9m (2001 - £15.3m) and trade debtors were 11.9% lower at £110.7m (2001 - £125.7m). Debtor days for the Group have improved from 64 days last year to 58 days at 30 April 2002. The bad debt charge as a percentage of turnover was 1.4% (2001 - 1.2%).

Trade and other creditors

Group creditor days declined from 132 days at 30 April 2001 to 85 days at 30 April 2002 reflecting the lower capital expenditure this year. Suppliers continue to be paid in accordance with the individual payment terms agreed with each of them. The total amount payable within trade creditors, bills payable and accruals at 30 April 2002 directly attributable to the purchase of rental equipment is £60.7m (2001 - £150.2m).

Acquisitions

Note 12 to the annexed accounts summarises the goodwill on acquisition arising in the year. This comprises goodwill of £2.8m arising on two small acquisitions made in the year by Sunbelt which contributed 5 profit centres to its 23 new profit centres in the year and £2.5m related to adjustments made to the provisional fair values established last year in respect of the BET USA acquisition.

The largest of these adjustments relates to capitalising acquired rental equipment held under leases entered into by BET USA in the period from 1997 to 1999. As we completed the hindsight review of the acquired BET assets required this year by accounting standards, it became apparent that the terms of these leases were such as to make it highly uneconomic to return the equipment to the lessor at the conclusion of their minimum committed term because the total amount paid under the lease in these

circumstances substantially exceeds the reduction in market value of the equipment in the lease period and a reasonable interest cost. Instead the alternative option of buying out the leases or extending the initial lease term is significantly more economic.

Although these leases were treated as off balance sheet operating leases by BET USA, our view is that it is more appropriate to treat them as finance leases under the relevant UK leasing standard, SSAP 21. Applying this treatment has resulted in our bringing these leased assets and the related finance lease obligation on balance sheet. It also means that, unlike most of Sunbelt's quoted US competitors (who use off balance sheet leases fairly extensively), all of the Group's rental fleet is now on balance sheet.

As explained further in note 12 to the annexed accounts, as a consequence of this treatment, the 2001/2 profit and loss account includes not only the depreciation and finance lease interest relating to the current year for these leases but also the equivalent amounts for the 11 months ended 30 April 2001 offset in that case by the rentals paid for the same period which were previously expensed as incurred as operating lease rentals. The net effect is that 2001/2 profits before taxation include a net credit of £1.4m (£1.7m before goodwill amortisation) which would have been accounted for in the 11 months ended 30 April 2001 had the leases been treated as finance leases in that year.

Cash flow and net debt

Net cash inflow from operations rose 16.8% to £202.0m (2000/1 - £173.0m). This reflected good control of working capital, particularly receivables throughout the year.

Interest paid in the year rose to £50.4m (2000/1 - £46.4m) and there was a small tax payment of £0.7m (2000/1 – refund of £1.7m). Cash payments to acquire fixed assets were at a similar level to the previous year (£203.3m v £202.6m in 2000/1) due to the delayed effect the payment terms the Group enjoys with its rental fleet suppliers.

In the forthcoming year, the halved level of capital expenditure in 2001/2 compared with 2000/1 will result in payments to acquire fixed assets broadly halving from this year's £203.3m and will mean that cash payments to acquire fixed assets will be below the depreciation charge in 2002/3 contributing significantly to the Group's debt reduction plans.

Despite the lower expenditure on acquiring fixed assets, proceeds earned from the sale of fixed assets increased from £38.3m to £39.2m. This, however, included proceeds of £4.9m from the UK disposal programme (less disposal costs of £1.1m) and £8.8m generated in the first half from the UK vehicle fleet which was moved onto a serviced lease basis similar to that already used by Sunbelt Rentals. Net of these non-recurring factors disposal proceeds totalled £26.6m, still a good result relative to the £38.3m of 2000/1 in a year when capital expenditure on new assets more than halved.

Net debt

	2002	2001	Increase/(decrease)
	£m	£m	£m
Net bank debt	515.0	484.4	30.6
Bills of exchange	11.6	90.7	(79.1)
Net bank debt and bills of exchange	526.6	575.1	(48.5)
5.25% convertible loan note, due 2008	129.7	127.9	
	656.3	703.0	
Finance lease obligations	30.6	-	
Total debt including bills of exchange	686.9	703.0	

As forecast in the interim statement, net bank debt peaked at 31 October 2001 at £527.6m. The reduction in the second half from this figure was £12.6m.

Taking net bank debt and bills of exchange (the form in which much of the long credit terms provided by equipment vendors is held) together – which is the measure of senior debt used under our banking agreements – debt was reduced by £48.5m over the year as a whole. This comprised a reduction of £29.1m in the first half and a further reduction of £19.4m in the seasonally weaker second half of the year.

Including finance lease obligations on the BET USA equipment rental leases which have now been brought on balance sheet as discussed under acquisitions above and the 5.25% unsecured, convertible loan note, due 2008, total debt was £686.9m at 30 April 2002 (2001 - £703.0m).

The halved capital expenditure in the year to 30 April 2002 and the £75m capital expenditure currently anticipated for the year to 30 April 2003 are expected to produce further and accelerating debt repayments in 2002/3 and 2003/4.

Bank loan facilities

The Group's principal bank facility is the US $825m committed long term secured multi- currency loan facility entered into at the time of the BET acquisition on 1 June 2000. Interest is payable on this facility at variable rates linked to underlying market rates traded in the London interbank market.

At 30 April 2002 £506.7m (2001 - £483.0m) was drawn under the facility with the remainder of the commitment (£56.9m) undrawn. £254.4m is drawn under a seven year medium term loan committed to 1 June 2007 with the remainder (£252.3m) drawn under a 364 day revolving credit agreement which is committed until 1 June 2005. The facility is repayable at maturity except that there is a notional 1% amortisation of the term loan each year on the anniversary of its issue (US$3.75m) and the revolving facility reduces in two tranches of US $50m each on 1 June 2003 & 2004.

Accordingly both the amounts drawn under the medium term loan and under the revolving credit agreement are presented in the balance sheet under creditors due in more than one year (other than in respect of the 1% medium term loan amortisation due on 1 June 2002) because the year end drawings under the revolving credit facility were replaced by new drawings under the same committed facility when they matured.

The facility is secured by means of fixed and floating charges over substantially all of the Group's assets. Under the terms of the facility, the Group is required to demonstrate compliance with certain financial covenants comprising the ratios of EBITDA to interest and to senior and total debt levels and the ratio of debt levels to the value of tangible assets on a quarterly basis. None of these quarterly covenants was breached during the year ended 30 April 2002. Adjustments to the covenants were agreed unanimously by the bank group in April 2002 to provide greater financial flexibility in the light of the US economic downturn.

The Group also has two secured but uncommitted bank overdraft lines provided alongside the main secured facility. At 30 April 2002 £8.5m was outstanding under these facilities leaving £9.9m undrawn. Thus headroom at 30 April 2002 under all the Group's facilities (committed and uncommitted) was £66.8m.

Accounts receivable securitisation

On 14 June 2002 the Company and certain of its subsidiaries completed a rolling £60m accounts receivable securitisation with Banc of America Securities. Under the securitisation programme, which funded on 20 June 2002, the Group receives non recourse funding of up to £60m secured against its UK and US receivables. This new source of funding, which is committed until the revolver commitment date of 31 May 2005, carries an effective funding cost of approximately 135 basis points over US dollar LIBOR which compares to the average premium of 250 basis points on borrowings under the senior credit facility - £60m of which was repaid on a pro-rata basis with the agreement of the Company's bank group concurrently with the initial funding of the securitisation programme which raised £59.4m.

The securitisation programme therefore provides both a significant reduction in the level of Ashtead's borrowings under the Senior Credit Agreement and a new source of funding at lower cost.

Profit centre numbers

	2002	2001
Sunbelt Rentals	188	163
A-Plant	268	273
Ashtead Technology	7	7
Corporate office	-	-
	463	443

During the year Sunbelt established 23 new depots, including five through acquisition. Additionally a further two new profit centres were established to enable specialist activities to be managed and reported separately from general businesses. To increase operational efficiency A-Plant merged five previously separately managed profit centres in the year into another profit centre operating at the same site.

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 APRIL

	2002			2001		
	Before goodwill & exceptional items	Goodwill amortisation & exceptional items	Total	Before goodwill & exceptional items	Goodwill amortisation & exceptional items	Total
	£m	£m	£m	£m (restated)	£m (restated)	£m (restated)
Turnover	583.7	-	583.7	552.0	-	552.0
Cost of sales	(462.2)	-	(462.2)	(430.8)	-	(430.8)
Gross profit	121.5	-	121.5	121.2	-	121.2
Administrative expenses	(40.2)	-	(40.2)	(32.6)	(12.3)	(44.9)
Goodwill amortisation	-	(8.8)	(8.8)	-	(8.1)	(8.1)
Operating profit	81.3	(8.8)	72.5	88.6	(20.4)	68.2
Exceptional loss on disposal of fixed assets	-	(32.6)	(32.6)	-	-	-
Net interest payable and similar charges	(52.4)	(3.0)	(55.4)	(47.4)	(9.7)	(57.1)
(Loss)/profit on ordinary activities before taxation	28.9	(44.4)	(15.5)	41.2	(30.1)	11.1
Taxation on (loss)/profit on ordinary activities: - current tax	0.3	-	0.3	1.2	-	1.2
- deferred tax	18.9	-	18.9	(10.1)	-	(10.1)
	19.2	-	19.2	(8.9)	-	(8.9)
Profit for the financial year	48.1	(44.4)	3.7	32.3	(30.1)	2.2
Equity dividends			(11.3)			(11.3)
Retained loss transferred to reserves			(7.6)			(9.1)
Basic earnings per share			1.1p			0.7p
Diluted earnings per share			1.1p			0.7p

All acquisitions made this year were immediately integrated into the Group's ongoing operations. No segregated operating profit information is therefore available. Comparative figures have been restated as described in note 4.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 APRIL

	2002 £m	2001 £m (restated)
Profit for the financial year	3.7	2.2
Foreign currency translation differences	(0.7)	(0.2)
Total recognised gains and losses relating to the year	3.0	2.0
Prior period adjustments relating to deferred tax	(48.4)	
Total gains and losses recognised since the last annual report	(45.4)	

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 30 APRIL

	2002 £m	2001 £m (restated)
Profit for the financial year	3.7	2.2
Equity dividends	(11.3)	(11.3)
	(7.6)	(9.1)
Foreign currency translation differences	(0.7)	(0.2)
Share capital subscribed	0.7	0.5
Net (reduction)/addition to shareholders' funds	(7.6)	(8.8)
At 1 May as previously reported	250.5	236.8
Prior year adjustment relating to deferred tax	(48.4)	(25.9)
At 1 May as restated	202.1	210.9
Closing shareholders' funds	194.5	202.1

Comparative figures have been restated as described in note 4.

CONSOLIDATED BALANCE SHEET AT 30 APRIL

	2002	2001
	£m	£m
		(restated
Fixed assets		
Intangible assets – goodwill	160.8	164.3
Tangible fixed assets:		
- rental equipment	678.1	725.6
- other fixed assets	72.8	76.9
	750.9	802.5
Investments – own shares held by ESOT	1.6	-
	913.3	966.8
Current assets		
Stock	12.9	15.3
Debtors	110.7	125.7
Cash at bank and in hand	0.5	1.1
	124.1	142.1
Creditors - amounts falling due within one year		
Bank loans and overdrafts	(11.1)	(4.8
Finance lease obligations	(12.4)	-
Bills of exchange	(11.6)	(90.7
Trade and other creditors	(110.1)	(132.0
	(145.2)	(227.5
Net current liabilities	(21.1)	(85.4
Total assets less current liabilities	892.2	881.4
Creditors - amounts falling due after more than one year		
Bank and other loans	(504.4)	(480.7
Finance lease obligations	(18.2)	-
5.25% unsecured convertible loan note, due 2008	(129.7)	(127.9
	(652.3)	(608.6
Provision for liabilities and charges		
Deferred taxation	(41.1)	(66.0
Other provisions	(4.3)	(4.7
	(45.4)	(70.7
Total net assets	194.5	202.1
Capital and reserves		
Called up share capital	32.5	32.4
Share premium account	100.7	100.1
Revaluation reserve	0.5	0.5
Profit and loss account	60.8	69.1
Total equity shareholders' funds	194.5	202.1

Comparative figures have been restated as described in note 4.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL

		2002		2001
	£m	£m	£m	£m
Net cash inflow from operating activities				
Cash inflow before integration costs		202.0		173.0
Exceptional BET USA integration costs		-		(10.3)
Net cash inflow from operating activities		202.0		162.7
Returns on investments and servicing of finance				
Interest received	-		0.6	
Interest paid	(43.5)		(37.3)	
Exceptional costs re bank facility	(1.3)		(9.7)	
Interest element of finance lease payments	(5.6)		-	
Net cash outflow from returns on investments and servicing of finance		(50.4)		(46.4)
Taxation (outflow)/inflow		(0.7)		1.7
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(203.3)		(202.6)	
Sale of tangible fixed assets	39.2		38.3	
Purchase of own shares by employee share ownership trust	(1.6)		-	
Net cash outflow from capital expenditure and financial investment		(165.7)		(164.3)
Acquisitions & disposals outflow		(3.3)		(214.1)
Equity dividends paid		(11.3)		(10.4)
Net cash outflow before management of liquid resources and financing		(29.4)		(270.8)
Inflow from management of liquid resources		-		15.6
Financing				
Issue of ordinary share capital	0.7		0.5	
Drawdown of loans	89.3		466.6	
Redemption of loans	(56.8)		(170.3)	
Capital element of finance lease payments	(10.7)		-	
Net cash inflow from financing		22.5		296.8
(Decrease)/increase in cash		(6.9)		41.6

Comparative figures have been restated as described in note 4.

NOTES TO THE PRELIMINARY STATEMENT FOR THE YEAR ENDED 30 APRIL 2002

1. This preliminary announcement of the results for the year ended 30 April 2002 is an excerpt from the forthcoming 2002 Annual Report & Accounts and does not constitute the statutory accounts for either 2001/2 or 2000/1. The 2001/2 figures are extracted from the audited accounts for that year which have not yet been approved by shareholders or filed with Companies House. The comparative figures are extracted from the latest published financial statements that have been delivered to the Registrar of Companies restated for the introduction of FRS 19 – Deferred taxation as described in note 4 below. The auditors' reports in respect of both years were unqualified and do not contain a statement under section 237 of the Companies Act 1985.

2. This preliminary announcement has been approved by a duly authorised committee of the Board.

3. The Directors are proposing that a final dividend of 2.88p per share be declared. If approved by shareholders at the Annual General Meeting, this will be paid on 30 September 2002 to shareholders on record on 6 September 2002.

4. The audited accounts for the year ended 30 April 2002 have been prepared using consistent accounting policies to those applied in the statutory accounts for the year ended 30 April 2001 except that the Group has now adopted FRS 19 - Deferred taxation which requires full provision to be made for deferred taxation. The necessary adjustments to the accounts for the year ended 30 April 2001 have been made by way of prior year adjustment.

5. Geographic analysis

	Turnover		Operating profit		Net assets	
	2002	2001	2002	2001	2002	2001
	£m	£m	£m	£m	£m	£m (restated)
United States	389.1	350.2	66.0	61.2	659.7	591.5
United Kingdom	192.3	199.7	14.6	26.8	249.1	286.9
Rest of World	2.3	2.1	0.7	0.6	2.1	2.0
	583.7	552.0	81.3	88.6	910.9	880.4
Exceptional integration costs	-	-	-	(12.3)	-	-
Goodwill amortisation	-	-	(8.8)	(8.1)	-	-
Central items*	-	-	-	-	(716.4)	(678.3)
	583.7	552.0	72.5	68.2	194.5	202.1

* net borrowings and deferred taxation

6. Net interest payable and similar charges

	2002	2001
	£m	£m
Bank interest payable	39.2	41.4
Accrued interest amortisation on convertible loan	7.6	6.6
Interest payable on finance leases	5.6	-
Total interest payable	52.4	48.0
Bank interest receivable	-	(0.6)
Exceptional costs re bank facility (note 7)	3.0	9.7
	55.4	57.1

7. Exceptional items

	2002	2001
	£m	£m
Loss on disposal of UK assets	32.6	-
BET USA integration costs	-	12.3
Bank facility costs included within interest payable	3.0	9.7
	35.6	22.0

The exceptional loss on disposal of UK fixed assets is net of proceeds received of £4.9m and also includes incremental transport, storage and disposal costs of £1.1m. Exceptional costs in relation to the bank facility in 2002 comprise variation fees payable in connection with (i) the adjustments made to bank covenants in July 2001 consequent upon adoption of new accounting policies and estimation techniques under FRS18 in the 2001 accounts and (ii) the adjustments made to bank covenants in April 2002 to provide greater future financial flexibility in light of the impact of the downturn in the US economy.

8. Taxation

	2002	2001
	£m	£m
UK Corporation tax at 30% (2001 – 30%)		(restated)
- current year charge	-	0.1
- credit in respect of prior year	(0.9)	(1.1)
	(0.9)	(1.0)
Double taxation relief	-	(0.1)
	(0.9)	(1.1)
Overseas taxation - current year charge	0.6	0.1
- credit in respect of prior year	-	(0.2)
Total current tax credit	(0.3)	(1.2)
Deferred taxation credit - current year charge	2.5	10.1
- prior year credit	(21.4)	-
	(18.9)	10.1
	(19.2)	8.9

9. Earnings per share

Earnings per share for the year ended 30 April 2002 have been calculated based on the profit for the financial year and on 324,090,666 ordinary shares, being the weighted average number of ordinary shares in issue during the year excluding the shares held by the ESOT (2001 – 323,334,079 ordinary shares). Diluted earnings per share for the year ended 30 April 2001 have been calculated using the profit for the financial year and the diluted number of shares calculated as follows:

	2002			2001		
	Profit for the financial year	Weighted average no of shares	Per share amount	Profit for the financial year	Weighted average no of shares	Per share amount
	£m	£m (restated)	p	£m (restated)	£m	p
As used in the calculation of basic earnings per share	3.7	324.1	1.1	2.2	323.3	0.7
Outstanding share options	-	1.6	-	-	3.0	-
As used in the calculation of diluted earnings per share	3.7	325.7	1.1	2.2	326.3	0.7

10. Tangible fixed assets

Net book value	Rental equipment		Other fixed assets	Total tangible fixed assets
	Held under finance leases	Owned		
	£m	£m	£m	£m
At 30 April 2001	-	725.6	76.9	802.5
Exchange difference	0.9	(7.4)	(0.5)	(7.0)
Additions	-	98.0	15.8	113.8
Acquisitions	32.9	(0.9)	0.1	32.1
Disposals	-	(58.8)	(10.8)	(69.6)
Depreciation	(6.7)	(105.5)	(8.7)	(120.9)
At 30 April 2002	27.1	651.0	72.8	750.9

11. Intangible assets – goodwill

	Cost	Amortisation	NBV
	£m	£m	£m
At 1 May 2001 as originally reported	158.4	(7.7)	150.7
Prior year adjustment re BET USA deferred tax	14.4	(0.8)	13.6
At 1 May 2001 as restated	172.8	(8.5)	164.3
Arising in respect of acquisitions in the year	2.8	-	2.8
Adjustment in relation to BET USA acquired 1 June 2000	2.5	-	2.5
Amortisation during the year	-	(8.8)	(8.8)
At 30 April 2002	178.1	(17.3)	160.8

12. Acquisitions

(i) The goodwill arising on the two small acquisitions completed by Sunbelt Rentals in the year is as follows:

	£m
Assets acquired at provisional fair market value:	
- fixed assets	4.1
- debtors	1.1
	5.2
Consideration (including costs):	
- cash paid	7.1
- accrued deferred consideration	0.9
Goodwill arising	2.8

(ii) Adjustments to prior year fair values

On 1 June 2000 the Group acquired BET USA. The acquisition was accounted for by the acquisition method of accounting. The fair values used in the 2001 accounts were provisional. In the year ended April 2002 post acquisition amendments, as explained below and in accordance with FRS7 'Fair values in acquisition accounting', have been made to these provisional fair values. The differences have been taken as an adjustment to goodwill on acquisition. Provisional and amended fair values for net assets acquired were as follows:

	Provisional fair value to the Group	Change of accounting policy	Completion and hindsight period adjustments	Final fair value to the Group
	£m	£m	£m	£m
Fixed assets	173.0	-	28.0	201.0
Stocks	4.6	-	-	4.6
Debtors	32.4	-	-	32.4
Cash	2.0	-	-	2.0
Creditors	(29.0)	-	(40.1)	(69.1)
Deferred taxation	-	(14.4)	4.9	(9.5)
	183.0	(14.4)	(7.2)	161.4
Purchase consideration	326.2	-	(4.7)	321.5
Goodwill	143.2	14.4	2.5	160.1

The change of accounting policy adjustment relates to FRS19 - Deferred Taxes which was adopted during the year.

The principal hindsight period adjustment to fair values relates to the reclassification of certain leases over rental equipment as finance leases which were previously treated as operating leases by the acquired company, increasing fixed assets by £32.9m, increasing creditors by £40.3m and generating additional goodwill of £7.4m. Other adjustments are in respect of reassessments of asset and liability valuations completed in the year which have reduced fixed assets and creditors by £4.9m and £0.2m respectively less related deferred taxation of £1.8m and the inclusion of a deferred tax asset relating principally to acquired tax losses of £3.1m.

The final purchase price was also agreed in the year under the price adjustment mechanism in the original acquisition agreement reducing the purchase consideration and goodwill by £4.7m. This reduction was effected through £3.8m received as a cash repayment from Rentokil and the agreement by Rentokil to assume responsibility for settling a pre-acquisition tax liability of BET USA totalling £0.9m.

The adjustment to redesignate assets held under certain leases as finance lease assets has resulted in an increase in depreciation charge and interest expense of the Group but with a reduction in hire of plant and machinery costs. The impact on the prior year profit and loss account, if these leases had been treated as finance leases in that year, would have been as follows:

	£m
Turnover	-
Cost of sales	4.7
Gross profit	4.7
Administrative expenses	(0.4)
Operating profit	4.3
Net interest payable	(2.9)
Profit before tax	1.4

These adjustments have been reflected in the current year profit and loss account in addition to current year depreciation and interest charges.

13. Notes to cash flow statement

a) Cash flow from operating activities	2002	2001
	£m	£m
Operating profit	72.0	68.2
Exceptional BET integration costs	-	12.3
Goodwill amortisation	9.3	8.1
Depreciation of tangible fixed assets	120.9	114.5
Gain on sale of tangible fixed assets	(1.5)	(6.8)
Decrease/(increase) in stocks	2.4	(0.7)
Decrease/(increase) in trade debtors	15.3	(12.1)
(Decrease) in trade creditors	(15.4)	(9.3)
Exchange differences	(1.0)	(1.2)
Net cash inflow from operating activities before BET integ'n costs	202.0	173.0

b) Reconciliation to net debt	2002	2001
	£m	£m
(Increase)/decrease in cash in the period	6.9	(41.6)
Increase in bank loans	32.5	296.3
Cash inflow from decrease in short term investments	-	15.6
Change in net debt from cash flows	39.4	270.3
Translation difference	(8.8)	22.8
Movement in net debt in the period	30.6	293.1
Net bank debt at 1 May	612.3	191.3
Net bank debt at 30 April	642.9	484.4
Non cash movement: - 5.25% unsecured convertible loan note	1.8	127.9
- finance lease obligation	30.6	-
Net debt at 30 April	675.3	612.3

c) Analysis of net debt

	1 May 2001 £m	Cash flows £m	Non-cash movements £m	Exchange Movement £m	30 April 2002 £m
Cash at bank and in hand	(1.1)	0.6	-	-	(0.5)
Overdrafts	2.2	6.3	-	-	8.5
	1.1	6.9	-	-	8.0
Debt due after 1 year	608.6	32.5	20.0	(8.8)	652.3
Debt due within 1 year	2.6	-	12.4	-	15.0
Total net debt	612.3	39.4	32.4	(8.8)	675.3

Non-cash movements relate to the accrued interest on the 5.25% unsecured loan note, due 2008 and to acquired finance lease obligations (see note 12).

d) Acquisitions

	2002 £m	2001 £m
Cash consideration on current year acquisitions	7.1	211.3
Cash consideration refunded re prior year acquisition	(3.8)	-
Less: Cash acquired with subsidiary undertaking	-	(2.0)
Deferred consideration paid on prior year acquisitions	-	4.8
	3.3	214.1

e) Exceptional items

Cash flows relating to exceptional items comprise £4.9m of disposal proceeds less disposal costs of £1.1m relating to the UK equipment disposal programme. In addition £1.3m was paid in relation to the exceptional bank facility costs and the balance of this exceptional item was paid in May 2002.