building on strong foundations

Ashtead group

2010
Annual Report & Accounts

what we do

Ashtead is a global leader in the equipment rental industry.

We provide all types of equipment in a wide variety of scenarios, from hand held tools to aerial platforms to complete on-site contractor villages. We provide solutions and systems that support our customers and pride ourselves in delivering excellent levels of service and care. We have nationwide networks in the US and UK.

It is the quality of our people which enables us to deliver the excellence demanded by our varied customer base.

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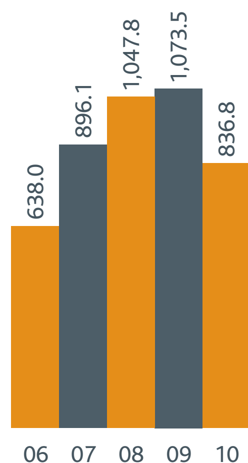
our performance

- **Profit of £5m (2009: £87m) in difficult market conditions**
- **Strong full year EBITDA margin of 30.5% (2009: 33.2%)**
- **Encouraging early signs of improvement in Q4, particularly in the US**
- **£191m (2009: £157m) of cash generated from operations in the year**
- **Net debt reduced to £829m (2009: £1,036m); net debt to EBITDA leverage of 3.1 times**
- **$1.3bn ABL facility refinanced successfully in the year providing:**
  - **long average debt maturity of five years at year end**
  - **with $537m of year end availability, all our debt continues to be effectively covenant free**
- **Final dividend of 2.0p (2009: 1.675p) per share proposed making 2.9p for the year (2009: 2.575p)**

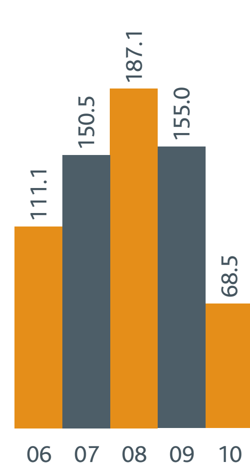
Underlying revenue

£836.8m



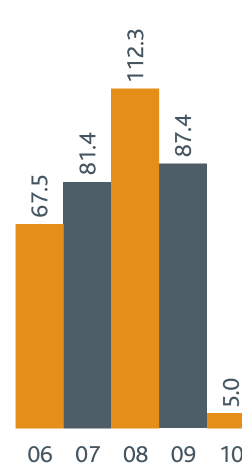
Underlying operating profit

£68.5m



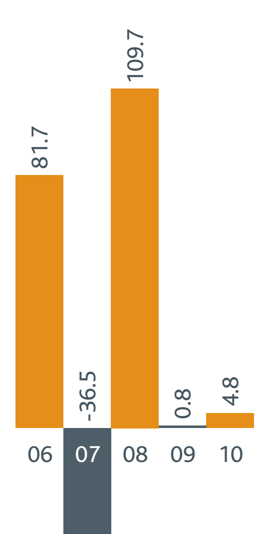
Underlying profit before taxation

£5.0m



Profit/(loss) before taxation

£4.8m



The figures for 2008, 2009 and 2010 include as revenue the proceeds generated from the sale of used rental equipment following the adoption of the amendment to IAS 16 – Property, plant and equipment (and consequent amendment to IAS 7 – Statement of cash flows) included within the 2008 'Improvements to IFRSs'. Prior years have not been restated.

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

our group at a glance

Ashtead Group provides equipment that lifts, powers, generates, moves, digs, supports, scrubs, pumps, directs, ventilates – whatever the job needs.

UK: A-Plant

The second largest equipment rental company with 105 stores throughout England, Scotland and Wales

105
No. of stores

1,900
Employees

£162m
Revenues

£2m
Profits

0.7%
Return on investment*

what we do

We rent equipment on flexible terms so that our customers can focus on what they do best rather than maintaining and servicing equipment they may use only periodically. We make sure the equipment is there when it needs to be and is ready to work immediately and efficiently.

Our stores are located where they are most required and we guarantee our service. Whether customers need a small hand held tool or the largest aerial work platform, our staff are there, able and willing, to help our customers ensure the job gets done.

Facilitating fit-out and ongoing maintenance for office blocks.

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

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

Replacing worn out sewage infrastructure.

Designing and implementing traffic management systems.

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

US: Sunbelt

The second largest equipment rental business in the US with 393 stores in 35 US states

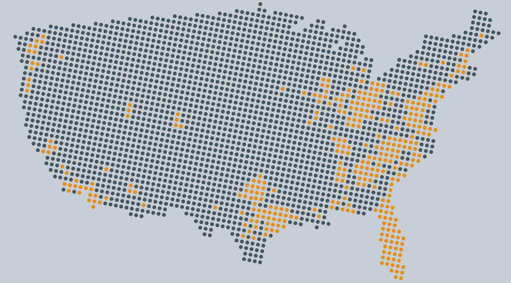
393
No. of stores

5,300
Employees

$1,081m
Revenues

$117m
Profits

5.9%
Return on investment*



* Return on investment is defined as underlying operating profit divided by the weighted average cost of capital employed (shareholders' funds plus net debt and net tax liabilities, minus/plus the pension fund surplus/deficit and less other financial assets – derivatives).

Equipment types

A broad range of construction and industrial equipment including earth moving equipment, aerial work platforms, high reach forklifts and other materials handling units, smaller tools, pumps, power generation, portable site accommodation, scaffolding, formwork and falsework, and temporary traffic management equipment.

Customer base

Construction industry, facilities management, disaster relief agencies, sport and music event organisers, governments, local authorities, homeowners.

Providing equipment for facilities management at new shopping centre complex.

Tracking our equipment for customers using mobile tracking systems.

Designing, erecting and dismantling scaffolding systems.

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

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

chairman's statement

Chris Cole,
Chairman

It has been a tough year for our industry but nevertheless, I am pleased to report that the actions we took before the recession became entrenched and the tight business we have run during the past year, mean that we are one of very few large rental companies to have remained profitable.

This has taken a lot of hard work from all our staff and some difficult decisions but we have continued to deliver good EBITDA margins even with significantly lower construction industry volumes. The diversification of our service offering has, to some extent, acted as a buffer to the sharp decline in new construction. We have maintained our operational performance in line with our expectations and believe we have performed well relative to both our UK and US peers, which is testament to the high-quality service we offer our customers.

We have also focused this year on positioning the Group to take full advantage of the upturn when it comes.

Trading

Our results reflect the prevailing market conditions with rental revenues declining in Sunbelt by 25% to $989m and in A-Plant by 21% to £152m. Our underlying profit before taxation was £5m compared with £87m in 2009 and underlying revenue was £837m (2009 £1.1bn). The rightsizing measures we took in winter 2008/9 and our ongoing efforts to maximise productivity meant that operating costs before depreciation and used equipment sold were down 23% at Sunbelt and 16% at A-Plant. As a result, our EBITDA margin remained strong at 31% (2009: 33%). Underlying earnings per share for the year were 0.2p (2009: 11.9p).

We also managed the business so as to maximise cash generation with £191m generated in the year, 93% of which was applied to reduce outstanding debt with £13m of dividends paid to shareholders.

Strategy

Our strategy has always been to manage the business prudently through the economic cycles to which our industry is subject. While the most recent downward phase of the cycle has been deeper than most could have imagined, we have continued to practise the tried and tested management principles that we have learned and which have enabled Ashtead to expand securely in good markets and to trade well relative to our peers when markets are weaker.

The early actions we took more than a year ago to reduce fleet size when the recession was just beginning allowed us to continue to trade profitably while positioning us to expand once again when the upturn comes. The reduction in fleet and also, sadly, in manpower, has not been to the detriment of our ability to serve all our main markets. We have maintained the store infrastructure required to offer a nationwide service in both the UK and also broadly the US and to continue to be able to respond with the speed and efficiency for which we are known.

As expected, some of our smaller competitors less well financed than ourselves have not survived the recession and that, combined with the superior customer service we can deliver, has resulted in us gaining market share in both the US and the UK. We provide more detail on pages 12 and 13 of this report on how our strategy changes over the phases of the economic cycle and where we are now in this process.

Funding

A critical backbone to our strong operational performance is our balance sheet strength. In recent years we have devoted considerable effort to ensuring that our financial structure, as well as our business model, is suited to our cyclical business. This focus has paid off in the past year as, unlike many others, we have not had to manage our operations under balance sheet stress.

Our debt facilities continue to be committed for the long term, with an average remaining maturity of five years. This year we extended the maturity of a $1.3bn tranche of our senior debt by more than two years until November 2013. Based on February 2010 asset values, availability at 30 April was $537m and remains well above $150m, the level at which the entire debt package is covenant free. Therefore, we continue to enjoy significant headroom on our debt package, providing the flexibility and

" In preparation for the next phase of the cycle, we have started a fleet reinvestment programme, funded from operating cash flow." Chris Cole

strength to enable our businesses to succeed and prosper in the years ahead. It also means that we have the funding in place to capitalise on the opportunities which will arise in future. We are well prepared and ready to resume growth when trading conditions change.

Dividend

Despite our reduced profitability, in light of our strong cash generation the Board is recommending a final dividend of 2.0p per share (2009: 1.675p) making 2.9p for the year (2009: 2.575p). Payment of the 2009/10 dividend will cost £14.5m (2009: £12.8m) and, whilst not covered by 2009/10 earnings, is in the Board's view justifiable given the Group's very strong cash generation. If the proposed final dividend is approved at the forthcoming Annual General Meeting, it will be paid on 10 September 2010 to shareholders on the register on 20 August 2010. Moving forward, the Board will aim to provide a progressive dividend having regard to both profit and cash generation, whilst seeking to keep to levels that are sustainable over the cycle.

Employees

As the recession took hold and we reduced our cost base there was unfortunately the need to reduce our employee numbers. Being forced to make cuts to the workforce was hard for everyone involved. I and my management colleagues are therefore very grateful for the loyalty and conscientious hard work of the Ashtead team in both the US and the UK and the substantial commitment from our staff this year. A difficult job is made easier by knowing the quality and dedication of the team providing the support. It is a testament to our team that we have remained focused on servicing the customer through all the uncertainty.

Board

There were no changes in the composition of the Board during the year but Gary Iceton will be standing down at the 2010 Annual General Meeting having completed two full terms as a non-executive director. I would like to record our gratitude to Gary for his contribution to the Board's deliberations over the last six years and for his work since 2007 as chairman of the Remuneration Committee. A separate announcement regarding Gary's successor will be made in due course.

Outlook

Fleet on rent and revenue continued to be encouraging in both our markets during May, supporting our view that the winter of 2010 was the bottom of the cycle.

In the US we continue to believe that we will see stabilisation in markets in the current year with improving trends through 2011. In the UK, whilst current markets are also stabilising, uncertainty around the impact of public sector spending cuts makes the medium term less certain.

In preparation for the next phase of the cycle, we have started a fleet reinvestment programme, funded from operating cash flow. Our well-structured debt facility means that we can react quickly if markets differ materially from those we anticipate.

Having strengthened our market position in the year just ended and with the flexibility provided by our strong balance sheet, the Board believes that the Group is well positioned for the future.

Chris Cole
16 June 2010

business and financial review
introduction

Right:
Geoff Drabble,
Chief executive
Far right:
Ian Robson,
Finance director

Ashtead is the second largest equipment rental group in the world with our operations split between the US where we operate as Sunbelt Rentals or Sunbelt and in the UK where we trade as A-Plant. We provide rental equipment in all manner of scenarios and across a wide variety of industries. We aim to create a highly flexible business model both in terms of the overall speed of responsiveness to market conditions and the variety of markets we serve.

The largest end market for our services continues to be new-build, non-residential construction but we also serve a wide range of other markets such as facilities management, repair and renewal, disaster relief, event management and traffic control, as well as also being involved in residential construction. This diversification serves to limit our exposure to a downturn in any one market. However, given the extent of the recent recession, we have still been substantially impacted over the last two years.

We recognise the cyclical nature of the construction markets we serve and have always managed the business accordingly. In the past year this has enabled us to deliver good operational performance in a difficult climate relative to both our US and UK peers. Over the next few pages we set out our principal building blocks for growth; our people, our infrastructure, our fleet and our balance sheet strength. We also demonstrate the strategic management principles in place during each phase of the economic cycle and where we consider ourselves to be within the current cycle.

our building blocks for growth

1 our people

2 our infrastructure

3 our fleet

4 our balance sheet strength

1 our people

We are a service business and we differentiate ourselves by the strength of our service offering. Central to our service offering are our people. We have a highly experienced team which numbered 7,200 at 30 April 2010.

The nature of our business is such that we require skilled individuals working within a highly devolved structure, in small focused teams. Local delivery of a consistent service offering is central to our business model. We take pride in the fact that we have a high proportion of long-serving staff and that many of our senior staff have been able to work their way up the organisation from shop floor to senior management.

We work hard, whatever the economic climate, to preserve these cultural strengths and maintain what we consider to be a key competitive advantage.

2

Our network of rental stores is one of the largest in the industry and enables us to provide nationwide coverage in the UK and now across most of the US. While we have taken steps to rightsize the business during the recession, we believe we have maintained the local infrastructure and network required to retain and enhance our leading position in both our markets. We have retained our ability to access a wide range of geographies at speed with the required equipment and accompanying operational expertise. We expect to use this network to once again deliver good growth in our profits and strong returns when the recovery begins.

our infra-structure

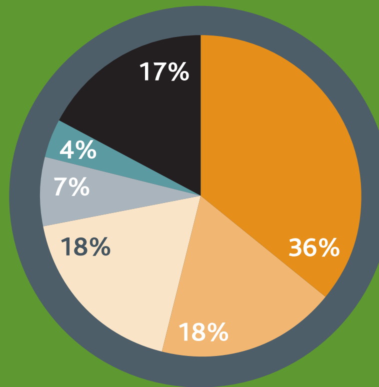
UK: A-Plant

US: Sunbelt

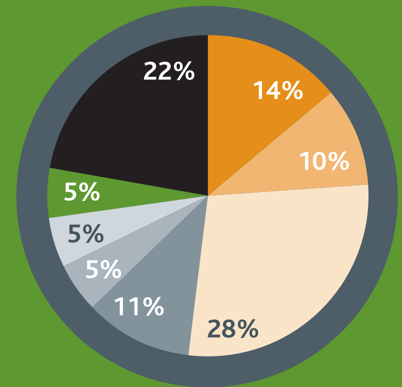
3

Fleet composition by product category

Sunbelt



A-Plant



- Aerial work platforms
- Forklifts
- Earth moving
- Accommodation
- Pump and power
- Acrow
- Traffic management
- Scaffold
- Other

Our very broad fleet mix ranges from large earth moving vehicles, aerial work platforms, power generation and scaffolding to smaller equipment types which offer the potential for higher returns. This enables us to ensure a balanced mix of business throughout the cycle, hence allowing us to mitigate the extremes of particular sectors. For example, we are currently experiencing greatest demand from government and infrastructure projects where stimulus spending is sustaining activity levels. Traditionally, our strength is in smaller local commercial and residential projects and we are focused on retaining this exposure as we believe this segment of the market will recover first.

Despite the recession, we have deliberately maintained the overall quality of our fleet and have not aged it as much as in previous downward cycles. The fleet is therefore still in good shape and we expect to be able quickly to reduce fleet age and expand it as economies recover. This recession, we have also been able to take advantage of the opportunity created by distressed asset sales to acquire a small amount of nearly new equipment at advantageous prices.

our fleet

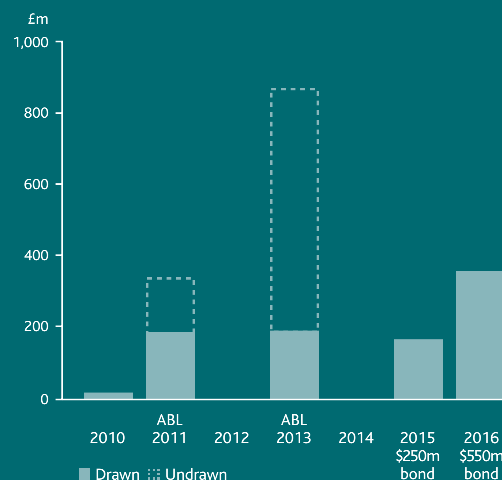
4 our balance sheet strength

We maintain a conservative balance sheet structure throughout the economic cycle, pacing our investment in the good years to ensure we hold leverage within our two to three times net debt to EBITDA target leverage range. During the most recent cycle, our balance sheet has been reinforced by the manner in which we lowered investment levels rapidly from 2008 to ensure we generated significant free cash flow and lowered net debt throughout the recession.

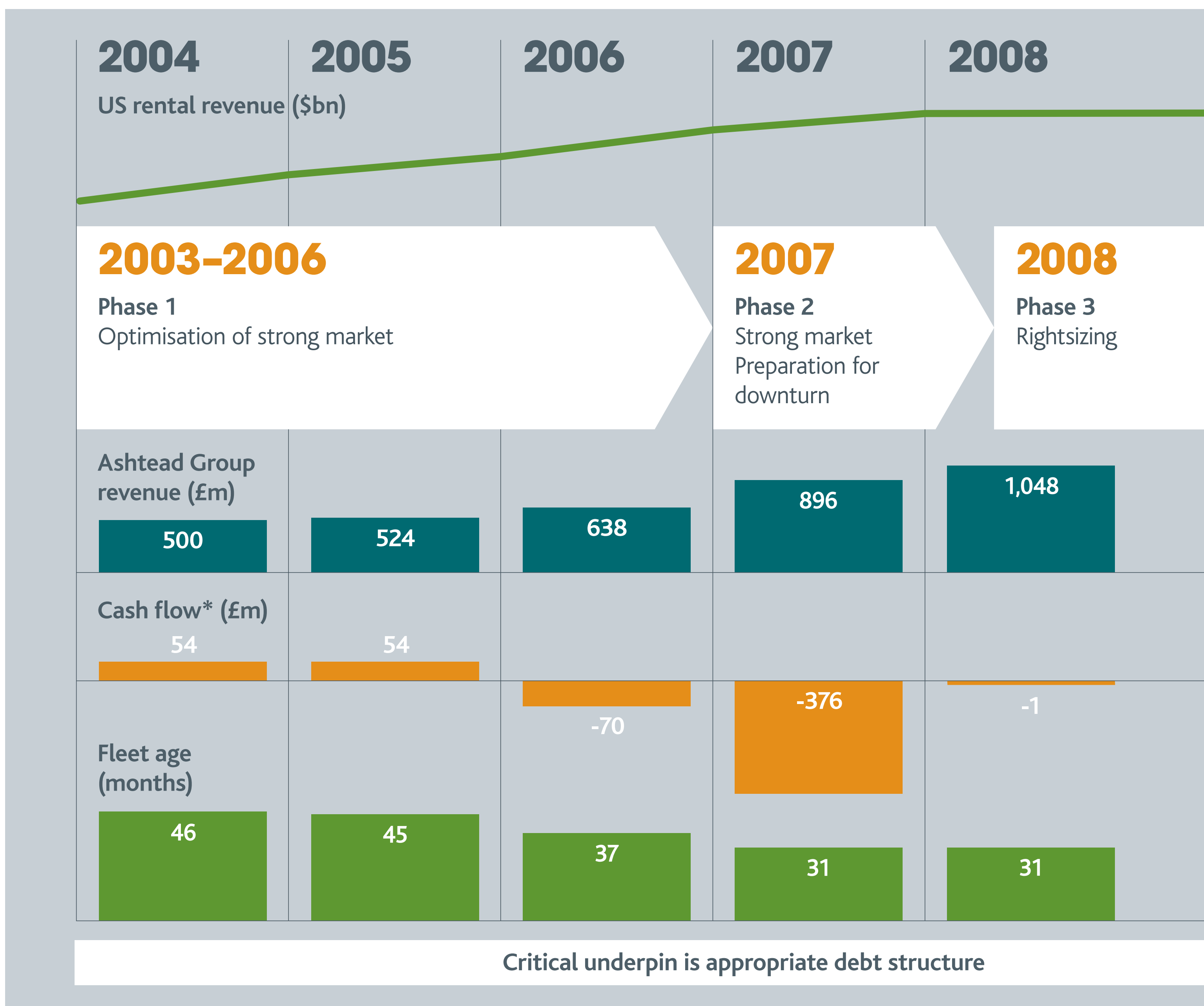
In November 2009 we took advantage of our strong operational performance and relatively low leverage to extend the maturity of $1.3bn of our senior debt until November 2013. We decided last summer to undertake this refinancing nearly a year before it was required in order to gain certainty over the committed term, size and cost of our senior debt facility – both so that we were well positioned to invest and take advantage when markets recovered and also to provide protection in the event that recovery was delayed.

Our capital structure therefore has, by design, the flexibility and strength required to enable our businesses to succeed and prosper in the years ahead.

Debt maturity



positioning for recovery



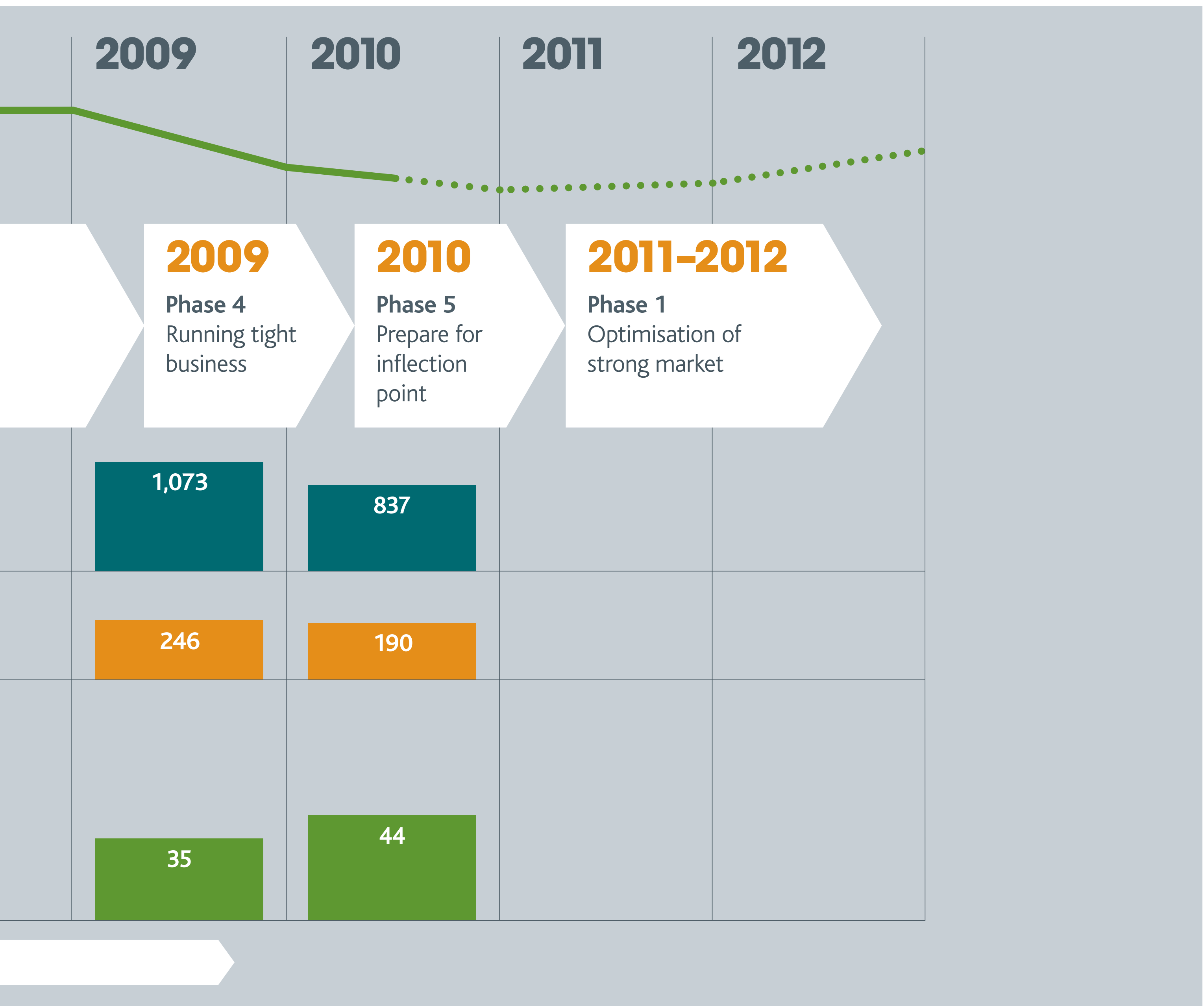
* Total cash generated before returns to shareholders

Managing the cycle

Our strategy and business model are structured to cope with changing economic cycles. This diagram summarises the phases we go through. While the timing of recovery is still not fully clear, our planning is focused on preparing to capitalise on the upturn as soon as it comes.

Phase 1
When the economy is expanding, we utilise free cash flow to increase investment in our rental fleet to support revenue, EBITDA and earnings growth and reduce the age of our rental fleet. We are also able to take advantage of the many growth opportunities available. We enjoy high utilisation at good rates thereby generating strong margins. Capital expenditure will be strong and debt broadly flat whilst leverage will tend to reduce as earnings grow.

Phase 2
In this phase markets are still strong but we recognise this will not last forever. We begin to make preparations for the coming downturn, in particular preparing the balance sheet for the lower levels of income expected when the cycle turns. All debt is committed for the long term and structured to remain covenant free, enabling us to get on with running the business unimpeded through the cycle. We start to reduce the rate at which we invest in new equipment and begin gently increasing the age of our rental fleet. This in turn increases cash flow.



Phase 3
At the beginning of the downturn we may also rightsize the business to ensure that it is best positioned to withstand the worsening economy. In this way we have, in the latest cycle, sustained our EBITDA margin above 30%.

Phase 4
Once in recession we focus on running a tight business, reducing capital expenditure to around half the level of depreciation, further reducing the fleet if required and, as a result, entering our most cash generative phase. Typically, we apply this cash to pay down debt, sustaining our leverage at close to our target despite lower earnings. At all times, however, we take care to maintain the optimal flexibility to ensure that we can bounce back aggressively once the upturn arrives. The focus is on cost efficiency while at the same time positioning the business for the recovery to come.

Phase 5
Once the recovery is under way, we look for our preparations to pay off. Rental rates begin to recover as does our utilisation and consequently we can anticipate strong earnings growth. Capital expenditure necessarily increases as the business expands again. Leverage decreases as earnings recover and, once again, we start to invest for organic growth. At the same time we may look for opportunities amongst those in the industry who have struggled to survive the recession and are in a weaker position than ourselves. Again the flexibility of our business model enables us to upgrade and expand quickly to service increased demand.

our strategy

"We are confident that the actions we have taken over the last two years make us amongst the best positioned of our peer group to benefit when the cycle turns." Geoff Drabble

Ashtead's core objectives are to be a leader in the global equipment rental business and deliver good returns for our investors. We aim to build strong relationships with our customers through efficiently delivering the services they require. Our strategy centres around maintaining flexibility through efficient management of an inherently cyclical business, differentiating our service offering across market sectors to avoid undue exposure to any one area, achieving operational excellence through our business model and the exceptional commitment of our staff and on delivering an average return on investment across the economic cycle well ahead of our cost of capital.

In good market conditions we achieve our objectives by generating strong organic growth combined with selective growth through acquisition if profitable opportunities arise, as well as delivering high levels of customer satisfaction. In weaker markets, we cease growth investment and utilise our cash flow to manage debt levels and thereby keep our capital structure solid through all parts of the cycle. We carefully monitor a number of key performance indicators which we track over time. Details of these can be found on pages 18 and 19.

Our strategy is summarised in the actions opposite.

Our strategy is designed also to manage risk. A full review of the risks which influence our business decisions can be found on pages 23 to 25.

Managing the cycle

We describe ourselves as being a late cycle business in that our main end market, non-residential construction, is usually one of the last parts of the economy to be affected by a change in economic conditions. This means that we have a good degree of visibility on when we are likely to be affected, as the signs will have been visible in other parts of the economy for some time. We are therefore able to plan accordingly and to react in a timely manner when necessary.

We have outlined on pages 12 and 13 the actions we take at each stage of the economic cycle. On pages 10 and 11, we describe how careful balance sheet and fleet management fit within our cyclical strategy. We are confident that the actions we have taken over the last two years make us amongst the best positioned of our peer group to benefit when the cycle turns. Key to the execution of our strategy is the planning we have undertaken to capitalise on the opportunities presented by the cycle for both organic growth from winning market share from less well-positioned competitors and positioning ourselves to be able to fund acquisitive growth if suitably attractive, well-priced opportunities arise.

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

Differentiating our service and fleet

As discussed on page 16, our differentiation of service and fleet means that we are able to work in many different sectors and as such are less exposed to a downturn in any one of them. While private non-residential construction activity continues to be subdued, major infrastructure and government projects are continuing and we are benefiting from these. It will take a sustained return to GDP growth before growth returns to the private non-residential construction market but a consequence of the rapid slowdown in the US is the large number of projects that are ready to recommence as soon as developers and financiers gain the necessary confidence to resume development. Meanwhile, the flexibility of our equipment offering means we are actively involved in numerous government and infrastructure projects where activity levels are being sustained deliberately.

Our customers range in size and scale from multinational businesses, through strong local contractors to individual do-it-yourselfers. In the UK, we have focused in recent years on building deeper relationships with our larger customers, with the top 150 customers comprising 53% of A-Plant's 2009/10 revenue whilst in the US our managed accounts comprised 20% of Sunbelt's 2009/10 revenue.

our strategy

Managing the cycle:

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

Differentiating our service and fleet:

- Diversified customer base
- Wide variety of applications
- Broad fleet mix

Ensuring operational excellence:

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

Investing in our people:

- Highly skilled team empowered to operate in a devolved structure
- Maintaining significant levels of experience
- Strong focus on recruitment, training and incentivisation

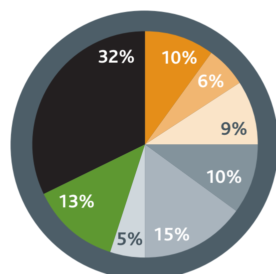
Maximising our return on investment:

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

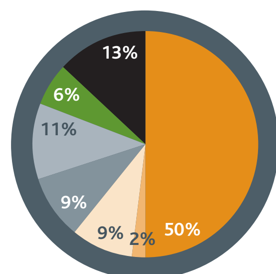
business and financial review continued
our strategy

Diversified customer base

Sunbelt



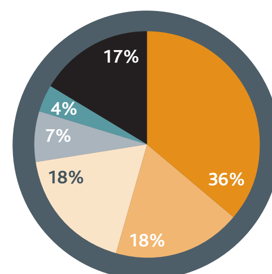
A-Plant



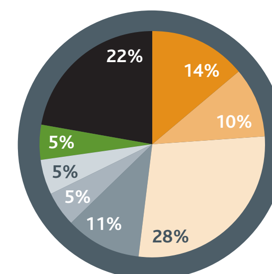
- Commercial construction
- Government and institutional
- Industrial, manufacturing and agriculture
- Infrastructure
- Non-construction services
- Residential construction
- Small contractor
- Speciality trade contractors

Fleet composition

Sunbelt



A-Plant



- Aerial work platforms
- Forklifts
- Earth moving
- Accommodation
- Pump and power
- Acrow
- Traffic management
- Scaffold
- Other

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

Our fleet composition is broadly similar to that of our peers. However, we differentiate our business by emphasising smaller equipment types which we believe offer the potential for higher returns. It is the needs of our customers and overall demand that drive the composition of our equipment fleet, with the size, age and mix of our equipment rental fleet driven by the needs of our diversified customer base. The equipment we provide to each customer is equally diverse and we are often involved in supplying various types of different equipment over an extended period at each distinct stage of a project's development.

The breadth of our fleet mix supports our ability to service not only the rental opportunities that exist in new-build construction, but also in a wide range of other applications including industrial, events, repair and maintenance and facilities management. We also continue to develop our portfolio of larger national and regional accounts, utilising the scale and geographical footprint of our network.

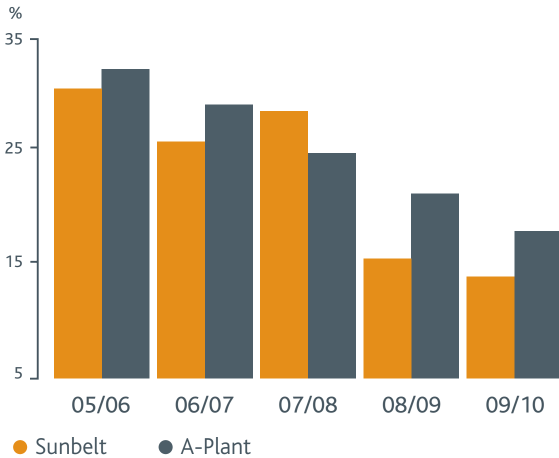
Over the past year the investment we have made in our fleet has been for replacement rather than growth.

Ensuring operational excellence

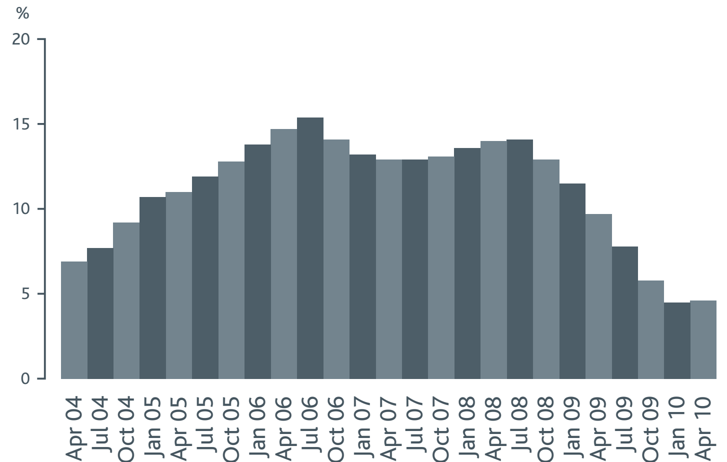
Our operating model is key to the way we deliver operational excellence and encompasses the following elements:

- In the US we achieve scale through a 'clustered market' approach of grouping general tool and specialist rental locations in each of our developed markets. Sunbelt has rental operations in 43 major cities including Washington DC, Dallas, Houston, Charlotte, Atlanta, Orlando and Seattle. This approach allows us to provide a comprehensive product offering and convenient service to our customers wherever their job sites may be within these markets.
- In the smaller geography of the UK, our strategy is focused on having sufficient stores to allow us to offer a full range of equipment on a nationwide basis. We have invested heavily in recent years in migrating our network towards fewer, larger locations which are able to address all the needs of our customers in their respective markets.
- Across our rental fleet, we generally seek to carry equipment from one or two suppliers in each product range and to limit the number of model types of each product. We believe that having a standardised fleet results in lower costs because we obtain greater discounts by purchasing in bulk and reduce maintenance costs through more focused, and therefore reduced training requirements for our workshop staff. We are also able to share spare parts between stores which helps to minimise the risk of over-stocking and to easily transfer fleet between locations which helps us achieve leading levels of fleet utilisation.
- We purchase equipment from vendors with strong reputations for product quality and reliability and maintain close relationships with these vendors to ensure good after-purchase service and support. However, we believe we have sufficient alternative sources of supply for the equipment we purchase in each product category.
- We also aim to offer a full service solution for our customers. Our product range includes specialist equipment types such as pump and power, scaffolding and traffic management systems, which involve providing service expertise as well as equipment.
- Our focused and dedicated approach to equipment rental improves the effectiveness of our sales force by encouraging them to build and reinforce relationships with customers and to concentrate on strong, whole-life returns from our rental fleet, rather than on short-term returns from sales of equipment. Our large and experienced sales force works closely with our customers to ensure we meet their needs. Our sales staff are equipped with real-time access to fleet availability and pricing information through their iPhones, enabling them to respond rapidly to changing dynamics in these critical areas.
- We guarantee our service standards in both our businesses and voluntarily accept financial penalties if we fail to meet our commitments to our customers. We believe that our focus on customer service and the guarantees we offer help distinguish our businesses from competitors and assist us in delivering superior financial returns. We have worked with a lot of our customers for many years. Our experience is that we gain a large amount of repeat business.
- Our local management teams are experienced and incentivised to produce superior financial returns and high quality standards.

Reducing staff turnover



Return on investment ahead of cost of capital across the cycle



- We invest heavily in our computerised point of sale and service systems as well as the software and online capabilities required to deliver efficient service as well as high returns. We capture and record the time of delivery and the customer's signature electronically, allowing us to systematically monitor and report on on-time deliveries. We also use electronic tracking systems to monitor and secure the location and usage of large equipment.

Investing in our people

On page 45 we discuss the importance of our staff and corporate culture. We aim to recruit good people and then invest in them throughout their careers. For example, A-Plant's three year apprenticeship scheme is the largest in the rental industry and is always heavily oversubscribed.

In general, the rental industry suffers from high staff turnover, particularly within certain job categories such as mechanics and delivery truck drivers, with turnover being particularly high within the first year of employment. We have made generally good progress in improving our staff retention in recent years as shown in the staff turnover chart above.

Both Sunbelt and A-Plant have extensive programmes in place to ensure the:

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

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

We motivate and reward our people through a combination of competitive fixed pay and attractive incentive programmes which drive our profits and return on investment. Our sales force is also incentivised through our commission plans which are based on sales volume and a broad measure of return on investment determined by reference to equipment type and discount level.

We flex our incentive plans to reflect the stage of the cycle in which we operate which we believe has been an important element in retaining the confidence of our workforce through the recent difficult times.

Maximising our return on investment

One of the key performance indicators we use to monitor our businesses at all levels is return on investment (RoI). For the Group as a whole our objective is always to ensure that, averaged across the economic cycle, we deliver RoI well ahead of our cost of capital. In the past two years the recession has adversely impacted our returns as shown by the chart above.

As and when cyclical recovery becomes established, we expect to see strong recovery in our RoI and we continue to believe that, averaged through the cycle, our business model can offer attractive rates of return well ahead of our cost of capital.

The Group maximises its RoI through encouraging effective management of invested capital by:

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

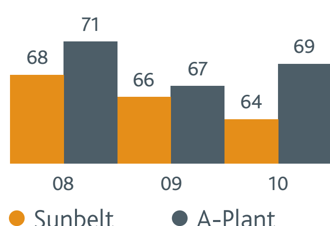
business and financial review continued

key performance indicators

We constantly review our strategy and our business performance to ensure we are delivering against our stated objectives. At Group level, we measure the performance of the business using a number of key performance indicators as shown in the charts below.

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

Physical utilisation (%)

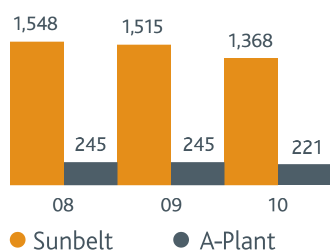


Physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt is measured only for equipment whose cost is over $7,500 (which comprised 90% of its serialised fleet at 30 April 2010).

It is important to sustain annual average physical utilisation at between 60% and 70% through the cycle. If utilisation falls below 60% then yield will tend to suffer, whilst above 70% we may not have enough fleet in certain stores to meet our customers' needs.

Aided by winter 2008/9's fleet downsizing (around 10% in each business) and subsequent adjustments, average 2009/10 physical utilisation remained healthy all year despite difficult markets.

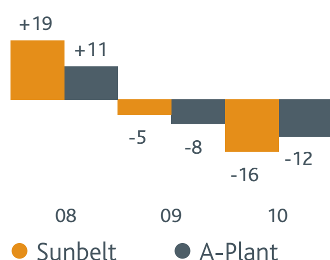
Fleet on rent ($/£m)



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

Fleet on rent measures the activity within our business and also provides an indication of market share. In 2009/10, fleet on rent declined 10% in both businesses which is a smaller reduction than the reported decline in US and UK construction volume. Our decline in fleet on rent is also smaller than that reported by our major US peers. Accordingly, we believe we continued to gain market share in the past year.

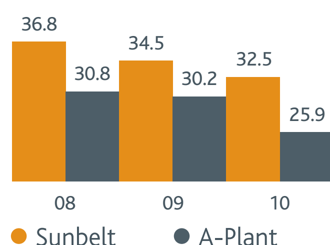
Change in yield (%)



Yield is measured as the change in our rental revenues which is not explained by the change in volume of fleet on rent. Yield is therefore an all encompassing measure which captures changes in rental rates, changes in delivery charges and other ancillary rental revenues, together with changes in both the customer mix (larger customers generally pay lower rates) and the mix of equipment.

Yield declined 16% at Sunbelt and by 12% at A-Plant in the past year reflecting cost pressures in the recession and the actions of certain, financially distressed, competitors. Recently these pressures eased somewhat, particularly in the US where the yield decline was 5% in the fourth quarter.

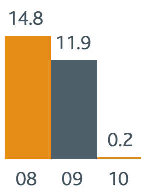
Underlying EBITDA margins (%)



Underlying EBITDA margins are measured before exceptional costs. Underlying EBITDA correlates closely in our business with our top line cash flow and is therefore an important measure of our financial health. Given the cyclicality of our revenues, it is also important that we adjust our cost base as far as practicable to limit any reduction in our underlying EBITDA margin when revenues are declining.

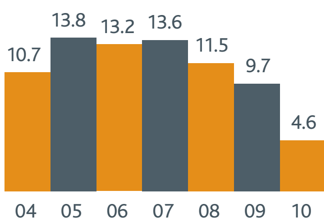
We view our margin performance in 2009/10 as very strong with the margin decline limited to 2% in Sunbelt and 4% in A-Plant, despite the substantial revenue reductions we suffered. The rightsizing programme we effected in winter 2008/9 meant that both businesses were well prepared for the challenges of the recession.

Underlying EPS (p)



Underlying EPS is a key measure of short-term financial performance for the Group as a whole. It is measured before exceptional costs, amortisation of acquired intangibles and fair value remeasurements. The decline from 2008 reflects the effects of the severe recession experienced over the last two years. The cyclical nature of the markets we serve and our balance sheet structure, which involves us carrying a significant interest cost, mean that underlying EPS varies substantially through the cycle.

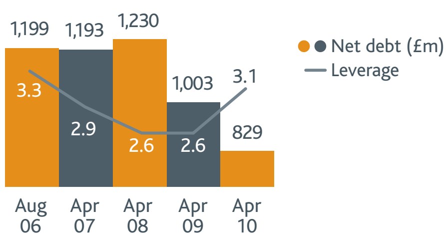
Return on investment (%)



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

Averaged across the economic cycle we look to deliver RoI well ahead of our cost of capital. However, in the past two years the recession has adversely impacted our returns. Our returns in the strong markets of 2006 and 2007 were also limited by our acquisition in August 2006 of NationsRent whose RoI, when acquired, was significantly below that of Sunbelt which necessarily took us some time to correct.

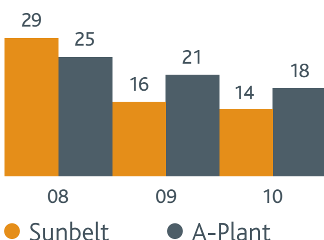
Net debt and leverage at constant exchange rates



We seek to maintain a conservative balance sheet structure with a target range for net debt to underlying EBITDA through the cycle of 2–3 times. At 30 April 2010, at constant exchange rates, leverage at 3.1 times was just outside our target range as we had always anticipated could be the case at the bottom of a deep recession. Our debt leverage is substantially lower than that of all our major US peers, affording us good flexibility for the future.

We also aim to sustain significant availability (the difference between the amount we are able to borrow under our asset-based facility at any time and the amount drawn) through the cycle. Availability at 30 April 2010 was $537m which both ensures all our debt remains effectively covenant free and also provides us with substantial headroom for future investment.

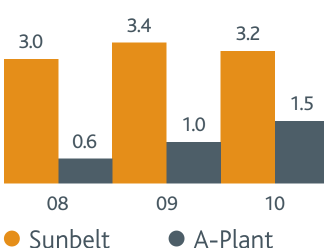
Staff turnover (%)



We are a service business that differentiates itself by the strength of our service offering. Central to this service offering are our people. Staff retention is a reasonable indicator of how our employees feel about our Company. While it is not unexpected that employee turnover declines in a recession, we are nonetheless pleased with the ongoing reduction given the pressure our people are under to deliver in difficult market conditions.

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

Safety



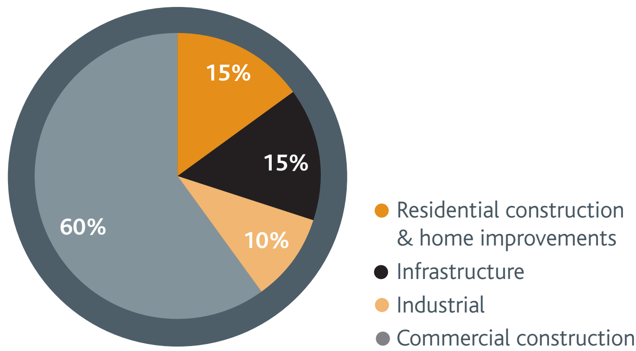
Our business involves frequent movement and maintenance of large and heavy pieces of equipment, often in confined spaces. Rigorous safety processes are essential if we are to avoid accidents which could cause injury to our people and damage our reputation.

In the chart we have plotted the OSHA reportable incident rate for Sunbelt and the RIDDOR reportable incident rate for A-Plant, in each of the past three years. While increased pressure on our businesses during the recession resulted in an increase in A-Plant this year, we believe our continued focus on health and safety will reduce incident rates in the future.

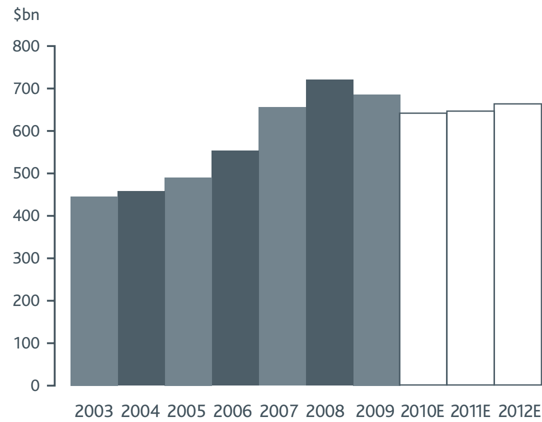
business and financial review continued
our markets

Ashtead's markets are the US where we trade as Sunbelt and the UK where we trade as A-Plant.

Diversified end markets



US construction put in place



Source: US Census Bureau, Citi Investment Research and Analysis

The US

Sunbelt operates 393 stores grouped into 39 Districts and three Territories. We have a nationwide network and a broad and highly diversified construction and general industrial customer base.

Last year Sunbelt dealt with over 550,000 customers and conducted 1.6m rentals. We are only able to estimate the ultimate sources of our revenues as we only rarely deal direct with the property occupier/owner. However, we believe our main end markets to be broadly as shown in the chart above.

This year has been difficult as our main market, non-residential construction, declined in the recession by c.16% in the year to 30 April 2010 as illustrated by the calendar year construction data above.

Early signs of recovery are beginning to be seen by economic forecasters with most expecting a reduced rate of decline in non-residential construction for the remainder of 2010 followed by a return to growth in 2011. Forecasts from Citi Investment Research and Analysis are included in the chart above.

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

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

Sunbelt serves all of these end markets and accordingly is able to adapt to wherever demand is greatest. In 2010/11 we expect that the public sector or institutional element of the market, which through the economic cycle tends to represent around 50% of the total and includes categories such as schools, hospitals and transportation, will perform better than commercial work, aided by President Obama's stimulus package. This is being driven in large part by the need for increased infrastructure investment in the US following the significant population growth in recent years (up from 280m in 2000 to 309m currently according to the US Census Bureau). The US population also has one of the fastest annual growth rates amongst developed economies at 0.97% per annum (compared to 0.28% in the UK and 0.10% on average in Western Europe) which we expect to continue to be a favourable structural driver of construction demand and hence growth for Sunbelt's services in the future.

Sunbelt's revenues are impacted not only by the volume of activity in its end markets but also by two other factors: rental penetration and market share. Both of these factors are positive and are therefore helping moderate the impact on us of the substantial volume decline in our end markets.

Rental penetration

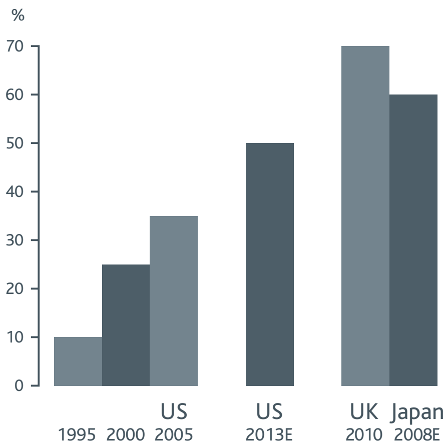
Rental penetration continues to increase as shown by the chart opposite.

Increasingly, building contractors in the US are coming to appreciate the advantages of outsourcing their equipment needs in terms of:

- having available exactly the right equipment required for the task at hand.
- removing the need to manage and service a non-core activity.
- removing the balance sheet financing requirement that comes with ownership.

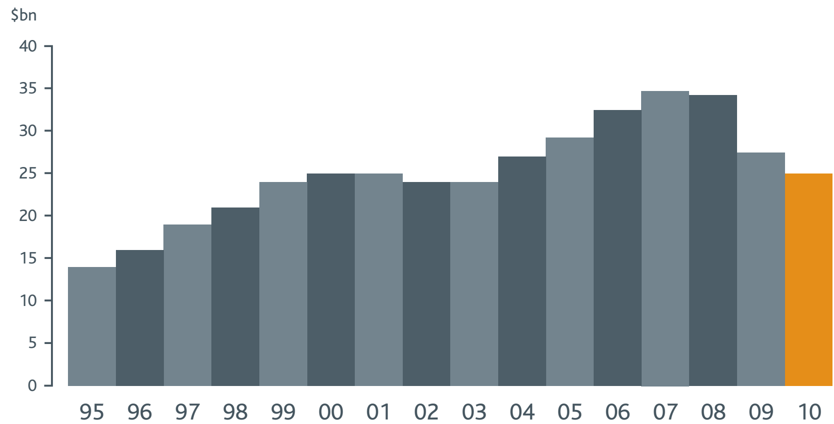
We anticipate that the current recession and the period of recovery that will inevitably follow, will drive additional outsourcing as more and more US contractors come to appreciate fully the benefit of not needing to own and service their own equipment.

Increasing rental penetration



Source: Dan Kaplan Associates and Ashtead estimates

US equipment rental market



Source: IHS Global Insight

The American Rental Association commissions an annual survey into the size of the US rental market and its expected future growth which is summarised in the chart above.

This chart shows how, despite the downturn of the past two years, the rental market has exhibited a compound annual growth rate of 4.2%, well ahead of the growth in the US economy overall as measured by GDP, driven in particular by increased outsourcing of equipment needs driving higher rental penetration. Once the US recession concludes, the American Rental Association and its consultants, IHS Global Insight, expect that the US rental market will return to at least historical rates of growth.

Competitors and market share

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

	No. of stores	US revenue ($bn)	Approx. market share
United Rentals	485	1.9	7%
Sunbelt Rentals	**393**	**1.1**	**4%**
RSC	443	1.1	4%
Hertz Equipment Rental Co	226	0.8	3%

Source: Based on company filings, 12 months to 31 March 2010

Like us, United Rentals, RSC and Hertz are publicly listed businesses. Beyond the top four, the market in which Sunbelt operates is characterised by a large number of small competitors. We expect the recession to result in further consolidation of the industry and growth in market share for the larger companies, each of which have stable financial structures and are therefore well positioned for the cycle relative to smaller, less well-funded competitors.

As we suggested last year, a combination of financial constraint and uncertain order books has resulted in contractors, particularly in the US, increasingly choosing the rental option. The established trend towards increased outsourcing of equipment supply in the US has accelerated through the cycle. The fragmentation of the US industry, due to a large number of smaller operators, has also been reduced as some of these have gone out of business. As we expected, the rental market has consolidated during the downturn benefiting the larger, better financed players such as ourselves. This is evidenced by the American Rental Association commenting that in January 2010 it had 8% fewer members than a year earlier. As a result we have gained market share and we expect this to continue.

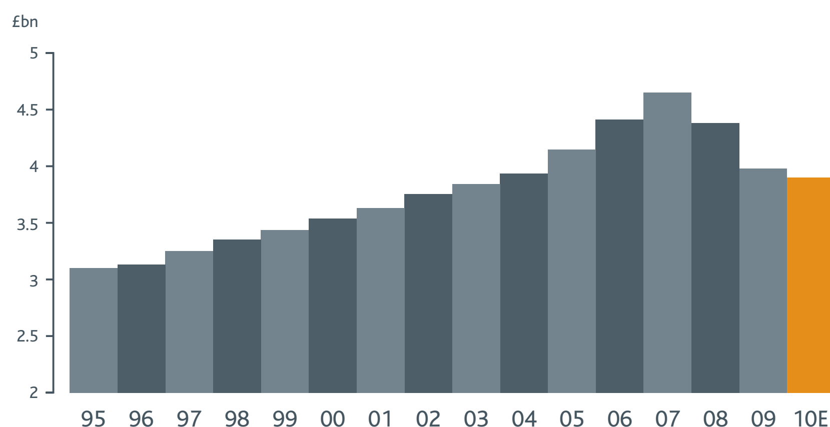
Future market trends

As stated above, we do not expect construction markets in the US to improve materially until 2011. However, in the medium term we remain confident in our end markets and our increased share of those markets. We also expect increased demand through greater outsourcing. This will be driven by increased concerns over health and safety issues, as well as the fact that use of an outsourced specialist provides the contractor with the ability to rent exactly the right piece of equipment for the task at hand while being confident that the equipment will be of recent manufacture and maintained by an experienced, specialist workforce.

As we detail elsewhere in this report, the extensive work we have done in positioning the business to capitalise on opportunities once the recession is over will benefit us once the upturn comes.

our markets

UK equipment rental market



Source: AMA Research Limited

The UK

A-Plant, our UK business, rents a similar range of equipment to Sunbelt, to a similar profile of general industrial and construction oriented customers. A-Plant operated 105 stores at April 2010, dealt with approximately 26,000 customers and conducted approximately 0.4m rentals in the past year. A-Plant serves a more mature market than in the US and one where rental penetration is estimated to be fairly stable at around 70%.

The recession has resulted in increased pressure on our UK business and we expect this to continue in the short term as construction volumes decline. We believe that A-Plant is relatively well positioned in the market at this time, given its emphasis on both the utility and infrastructure markets (power, water, sewerage and roads) and major projects such as nuclear decommissioning and the Olympics, as these areas remain strong. As in the US, we believe we have continued to increase our share of the market in the UK over the last year. In the medium term, a return to growth will come with an improving economy which will bring with it an improved private commercial sector and housing market. Public sector work currently remains important with key projects in power, education and transport. However, we remain realistic in our expectations regarding the level of public expenditure in the medium term due to the pressures on the government budget.

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

This chart shows that whilst the rental market has exhibited good long-term growth with a compound annual growth rate of 1.7%, it is inevitably slower growth than the immature rental market in the US.

Competitors

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

	No. of stores	Revenue (£m)	Approx. market share
Speedy Hire	370	351	9%
A-Plant	**105**	**162**	**4%**
HSS	250	151	4%
Hewden	63	141	4%

Source: International Rental News

Future market trends

We do not expect to see a significant upturn in the UK market as we move forward. Whilst housing construction now seems to have reached the bottom of its cycle, and should grow gently in 2010, most commercial sectors will remain weak. Infrastructure renewal and major projects such as the Olympics will continue through 2011 to be a large part of the construction market as public sector rather than private investment is now the main driver of demand. However, it is inevitable that public investment in new projects will be cut back from the second half of 2010 which we expect will mean lower levels of public work from 2012 once current projects have concluded.

These factors make it likely that the UK market will remain difficult for some years ahead until resumed GDP growth ultimately drives a recovery in commercial construction. However, we expect A-Plant to continue to gain market share as a number of its less well-financed competitors either exit the market or downsize their operations.

business and financial review continued
principal risks and uncertainties

The Group inevitably faces certain 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, revenues, profits, cash flows and assets of the Group.

Risk description	Potential impact	Mitigation
Economic conditions		
	The construction industry, from which we earn the majority of our revenues, is cyclical with construction industry cycles typically lagging the general economic cycle by between six and 18 months. We may suffer a protracted reduction in demand for our products and services if the construction industry takes longer than expected to come out of the downward phase of the industry cycle or has a weaker than anticipated recovery.	• Prudent management through the different phases of the cycle. • Flexibility in the business model maintained to ensure adaptability whatever the economic environment. • Capital structure and financing arranged in recognition of the cyclical nature of our industry.
Competition		
	The already competitive market becomes even more competitive and we suffer increased competition from large national competitors or small companies operating at a local level resulting in reduced market share and lower revenue.	• 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 application of IT, experienced personnel and a broad network and equipment fleet. • Regularly estimate and monitor our market share and track the performance of our competitors to ensure that we are performing effectively.
Exchange rates		
	Exchange rate exposure arises from translation risk due to the majority of our assets, liabilities, revenues and costs being denominated in US dollars. The relative value of pound sterling and the US dollar can fluctuate widely and could have a material effect on our financial condition and results of operations.	• Financing arranged so that virtually all our debt is denominated in US dollars providing a partial, but substantial, hedge against the translation effects of changes in the dollar exchange rate. • Dollar interest payable on this debt also limits the impact of changes in the dollar exchange rate on our earnings.
Supply chain		
	We source equipment and parts from a small number of principal suppliers. If we are unable to obtain the right equipment and parts at the right time for a reasonable cost from our suppliers, this could have an adverse impact on the Group's financial performance.	• Partnering relationships with suppliers that have a strong reputation for product quality and reliability and good after-sales service and support. • Sufficient alternative sources of supply for the equipment we purchase in each product category. • Size and scale of our business and of our rental fleets enables us to negotiate favourable delivery, pricing, warranty and other terms with our suppliers.

principal risks and uncertainties

Risk description	Potential impact	Mitigation
Financing		
	Debt facilities are provided for a finite period of time and we could fail to renew facilities prior to their maturity. Such renewal could be affected by any structural issues in the credit markets. Alternatively, our debt facilities might become unavailable by virtue of non-compliance with their terms. If we fail to renew required debt facilities, we might be unable to meet our obligations as they fall due.	• The weighted average remaining life of our debt facilities is five years with the first significant maturity being the asset-based senior bank debt facility which now extends until November 2013. • Our facilities have no quarterly monitored financial covenants provided availability on the asset-based senior bank debt exceeds \$150m. At 30 April 2010 availability was \$537m. • If they are ever required to be calculated, covenants are computed at constant exchange rates and before exceptional items.
Acquisitions		
	Acquisitions may not deliver the expected benefits through overpaying, acquiring unforeseen liabilities or failure to integrate effectively.	• Detailed operational and financial due diligence to ensure particularly that operational and financial risks are identified and appropriately factored into our valuation of the target. • Development of a rigorous post-acquisition integration plan with close management and monitoring to ensure synergies are realised fully.
Accounting/fraud		
	Accounting or fraud discrepancies could occur if our financial and operational control framework is inadequate resulting in a loss and/or misstatement of the Group's financial performance.	• Maintain a robust internal financial control framework. • A strong internal financial and operational audit function reviews the operation of the control framework and reports regularly to management and the Audit Committee.
IT systems		
	We own over 250,000 units of rental equipment and in the past year entered into approximately 2.0m rental contracts which are tracked and controlled using fully integrated computer systems in the US and UK. A serious uncured failure in this area would have an immediate impact on our business, rendering us unable to record and track our high volume of relatively low-value transactions.	• 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		
	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.	• 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 and fulfilment at work. • Invest in opportunities for our people to enhance their skills and develop their careers to the mutual benefit of both themselves and the Company.

Risk description	Potential impact	Mitigation
Health and safety		
	Accidents happen which might result in injury to an individual, claims against the Group and damage to our reputation.	• 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 and procedures. • Programmes to support our customers exercising their responsibility to their own workforces when using our equipment.
Compliance with laws and regulations		
	Failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.	• 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, by which employees may, in confidence, raise concerns about any alleged improprieties. • 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		
	We could fail to comply with the numerous laws governing environmental protection and occupational health and safety matters. These laws regulate such issues as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. This potentially creates hazards to our employees, damage to our reputation and exposes the Group to, amongst other things, the cost of investigating and remediating contamination at our sites as well as sites to which we send hazardous wastes for disposal or treatment regardless of fault, and also fines and penalties for non-compliance.	• Stringent policies and procedures in place at all our stores. • Procurement policies reflect the need for the latest available emissions management and fuel efficiency tools. • Monitoring and reporting of carbon emissions.

financial review

Trading

	Revenue		EBITDA		Operating profit	
	2010	2009	**2010**	2009	**2010**	2009
Sunbelt in $m	**1,080.5**	1,450.0	**350.8**	500.4	**116.6**	241.8
Sunbelt in £m	**674.5**	865.5	**219.0**	298.7	**72.7**	144.4
A-Plant	**162.3**	208.0	**42.0**	62.8	**1.8**	16.1
Group central costs	**–**	–	**(5.9)**	(5.4)	**(6.0)**	(5.5)
Continuing operations	**836.8**	1,073.5	**255.1**	356.1	**68.5**	155.0
Net financing costs					**(63.5)**	(67.6)
Profit before tax, exceptionals and amortisation from continuing operations					**5.0**	87.4
Ashtead Technology					**–**	2.8
Exceptional items (net)					**3.3**	(17.1)
Amortisation					**(2.5)**	(3.4)
Total Group profit before taxation					**5.8**	69.7
Taxation					**(3.7)**	(6.7)
Profit attributable to equity holders of the Company					**2.1**	63.0
Margins						
Sunbelt			**32.5%**	34.5%	**10.8%**	16.7%
A-Plant			**25.9%**	30.2%	**1.1%**	7.7%
Group			**30.5%**	33.2%	**8.2%**	14.4%

The year's results reflect the impact of the global recession which produced a significant reduction in construction volumes in both the US and the UK and hence a period of lower demand for our rental services. As a result, underlying Group revenue reduced to £837m (2009: £1.07bn) whilst the underlying pre-tax profit was £5m (2009: £87m). Measured at constant exchange rates, to eliminate currency translation effects, underlying revenue declined 25% to £837m, underlying EBITDA by 31% to £255m and underlying operating profit by 58% to £69m.

Rental revenues declined 25% in Sunbelt to $989m and by 21% in A-Plant to £152m reflecting 10% less fleet on rent in both markets and average yield declines of 16% in Sunbelt and 12% in A-Plant. Fleet size remained broadly flat all year in both businesses at $2.1bn and £320m respectively whilst physical utilisation remained comparatively strong.

Fourth quarter trends were encouraging with Sunbelt returning to operating profit growth in the quarter on rental revenues down 8%.

The prompt action we took in the winter of 2008/9 to rightsize the cost base to the lower activity levels and the tight cost control we maintained all year ensured that operating costs before depreciation and used equipment sold reduced by $204m (23%) in Sunbelt and by £21m (16%) in A-Plant. For the Group as a whole, operating costs (before depreciation and used equipment sold) were reduced by £148m or 21%, at constant exchange rates, compared to the previous year and by £191m compared to the 12 months ended 31 October 2008, the period immediately before we implemented the rightsizing programme. As a result, despite the revenue reductions, full year EBITDA margins declined by only 2% in Sunbelt and 4% in A-Plant and remained above 30% for the Group as a whole.

Depreciation expense declined 7% reflecting the smaller average fleet size to give an underlying operating profit for the year of $117m (2009: $242m) in Sunbelt and £2m in A-Plant (2009: £16m).

Group results

Reflecting the operating results discussed above and a US dollar exchange rate that was on average 5% stronger against the pound sterling ($1.60 in 2009/10 v $1.68 in 2008/9), Group EBITDA before exceptional items declined £101m to £255m whilst the underlying operating profit reduced from £155m to £69m.

Lower average interest rates and significantly lower underlying average debt levels partly offset by the higher margin payable from November on the extended senior debt resulted in a lower net financing cost of £64m (2009: £68m), despite an adverse translation effect from the stronger dollar in which all our debt is now denominated.

Pre-tax profit and exceptional items

Exceptional items this year comprised the £3m non-cash write-off of the remaining deferred financing costs on the 2006 senior debt facility following its renewal in November 2009, a credit of £5m relating to the remeasurement at fair value of the embedded call options in the Group's senior secured notes, and a £1m credit for the release of a provision for potential warranty claims on the June 2008 sale of Ashtead Technology which proved not to be required. After amortisation of acquired intangibles of £2m, the reported profit before tax for the year was £5m (2009: £1m).

Taxation

The current year effective tax rate was stable at 35% (2009: 34%). In addition, there was an adjustment of £2m to prior year tax. Moving forward, once the economies in the UK and US recover from the current recession, we expect the Group's effective tax rate for accounting purposes to remain around 35% whilst the cash tax rate should continue to be substantially lower.

Earnings per share

Underlying earnings per share for the year decreased to 0.2p (2009: 11.9p) whilst basic earnings per share from continuing activities for the year was 0.2p (2009: 0.4p).

Dividends

In accordance with our policy of setting dividend levels in light of both profitability and cash generation at a level that is sustainable across the cycle, the Board is recommending a final dividend of 2.0p per share (2009: 1.675p) making 2.9p for the year (2009: 2.575p). Payment of the 2009/10 dividend will cost £14.5m and, whilst not covered by 2009/10 earnings is, in the Board's view, appropriate.

If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 10 September 2010 to shareholders on the register on 20 August 2010.

Current trading and outlook

Fleet on rent and revenue continued to be encouraging in both of our markets during May, supporting our view that the winter of 2010 was the bottom of the cycle.

In the US we continue to believe that we will see stabilisation in markets in the current year with improving trends through 2011. In the UK, whilst current markets are also stabilising, uncertainty around the impact of public sector spending cuts makes the medium term less certain.

In preparation for the next phase of the cycle, we have started a fleet reinvestment programme, funded from operating cash flow. Our well-structured debt facility means that we can react quickly if markets differ materially from those we anticipate.

Having strengthened our market position in the year just ended and with the flexibility provided by our strong balance sheet, the Board believes that the Group is well positioned for the future.

Balance sheet

Fixed assets

Capital expenditure in the year was £63m (2009: £238m) of which £56m was invested in the rental fleet (2009: £208m). Disposal proceeds totalled £32m (2009: £100m) giving net expenditure at £31m (2009: £138m).

Expenditure on rental equipment was 88% of total capital expenditure, with the balance relating to the delivery vehicle fleet, property improvements and to computer equipment. Capital expenditure by division was as follows:

	2010	2009
Sunbelt in $m	**69.6**	221.0
Sunbelt in £m	**45.5**	149.1
A-Plant	**10.1**	58.4
Total rental equipment	**55.6**	207.5
Delivery vehicles, property improvements & computers	**7.8**	30.8
Total additions	**63.4**	238.3

Reflecting the recession, all this year's capital expenditure was entirely for replacement as was the case in 2008/9.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2010 was 44 months (2009: 35 months) on a net book value basis. Sunbelt's fleet had an average age of 46 months (2009: 38 months) whilst A-Plant's fleet had an average age of 36 months (2009: 27 months).

As we start to prepare for the next phase of the cycle, next year's capital expenditure will increase as we begin cyclical fleet reinvestment. Accordingly, we anticipate investing around £225m gross (slightly ahead of depreciation) and £175m net of disposal proceeds which will be mostly for replacement rather than growth. With equipment lead times still quite short for now, we retain the ability to flex expenditure levels in response to market conditions.

The original cost of the Group's rental fleet and the dollar and physical utilisation for the year ended 30 April 2010 is shown below:

	Rental fleet at original cost			LTM rental	LTM dollar	LTM physical
	30 April 2010	30 April 2009	LTM average	revenue	utilisation	utilisation
Sunbelt in $m	**2,094**	2,136	2,124	989	47%	64%
Sunbelt in £m	**1,368**	1,442	1,388	618	47%	64%
A-Plant	**321**	321	319	152	48%	69%
	1,689	1,763	1,707	770		

Dollar utilisation is defined as rental revenues divided by average fleet at original (or 'first') cost and, in the year ended 30 April 2010, was 47% at Sunbelt (2009: 57%) and 48% at A-Plant (2009: 52%). Physical utilisation is time-based utilisation, which is calculated at 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 2010, was 64% at Sunbelt (2009: 66%) and 69% at A-Plant (2009: 67%). At Sunbelt, physical utilisation is measured only for equipment with an original cost in excess of $7,500 which comprised 90% of its fleet at 30 April 2010.

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Trade receivables

Receivable days at 30 April were 45 days (2009: 47 days). The bad debt charge for the year ended 30 April 2010 as a percentage of total revenue was 1.2% (2009: 1.6%). Trade receivables at 30 April 2010 of £114m (2009: £124m) are stated net of provisions for bad debts and credit notes of £16m (2009: £18m) with the provision representing 12.0% (2009: 12.4%) of gross receivables.

Trade and other payables

Group payable days were 88 days in 2010 (2009: 53 days) with capital expenditure-related payables, which have longer payment terms totalling £28m (2009: £9m). Payment periods for purchases other than rental equipment vary between seven and 45 days and for rental equipment between 30 and 120 days.

Provisions

Provisions of £41m (2009: £54m) relate to the provision for self-insured retained risk under the Group's self-insurance policies, as well as to vacant property provisions.

The Group's business exposes it to claims for personal injury, death or property damage resulting from the use of the equipment it rents and from injuries caused in motor vehicle accidents in which its vehicles are involved. The Group carries insurance covering a wide range of potential claims at levels it believes are sufficient to cover existing and future claims.

Our liability insurance programmes provide that we can only recover the liability related to any particular claim in excess of an agreed excess amount of either $500,000 or $650,000 depending on the particular liability programme. In certain, but not all cases, this liability excess amount is subject to an annual cap, which limits the Group's maximum liability in respect of these excess amounts. A higher excess of up to $2m existed on our general liability policies until September 2008. In the UK our self-insured excess per claim is much lower than in the US and is typically £100,000 per claim or less.

Our insured liability coverage is limited in total to a maximum of £150m per claim.

Pensions

The Group operates a number of pension plans for the benefit of employees, for which the overall charge included in the financial statements was £1m (2009: £6m). Amongst these, the Group now has just one defined benefit pension plan which covers approximately 150 employees in the UK and which was closed to new members in 2001. All our other pension plans are defined contribution plans.

The Group's defined benefit pension plan was measured in accordance with the accounting standard IAS 19 – Employee Benefits, £8m in deficit at 30 April 2010 (2009: £0.3m in surplus). During the year, asset values exceeded the expected return on plan assets of £3m included in the income statement by £9m. However, offsetting this was the impact of changes in the required market-linked discount rate which normalised to 5.5% in 2010 from the exceptionally high 7.0% in 2009 which reflected market uncertainties regarding the value of bonds issued, particularly by the financial sector, at that time. In addition, we adopted the S1 'CMI 2009' mortality tables which we believe to be more appropriate to the Group as they are based on a study of life expectancy for members of pension schemes rather than purchasers of life assurance policies which was the basis for PA00 mortality tables used last year. This reduced pension liabilities by around 4%. Accordingly there was a net actuarial loss of £9m in the year which, in accordance with our accounting policy of immediate recognition, was taken to the statement of comprehensive income.

The next triennial review of the plan's funding position by the trustees and the actuary is due as at 30 April 2010. The Company anticipates that it will reach agreement with the plan's trustees in the coming year on a suitable recovery plan to address any funding deficit shown by that review.

Contingent liabilities

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

Cash flow

	Year to 30 April	
	2010 **£m**	2009 £m
EBITDA before exceptional items	**255.1**	358.9
Cash inflow from operations before exceptional costs and changes in rental equipment	**265.6**	373.6
Cash conversion ratio*	**104.1%**	104.1%
Maintenance rental capital expenditure paid	**(36.1)**	(208.5)
Payments for non-rental capital expenditure	**(6.7)**	(27.1)
Rental equipment disposal proceeds	**26.8**	85.3
Other property, plant and equipment disposal proceeds	**4.0**	6.6
Tax received (net)	**0.3**	0.8
Financing costs paid (net)	**(54.7)**	(64.7)
Cash flow before payment of exceptional costs	**199.2**	166.0
Exceptional costs paid	**(8.2)**	(9.4)
Total cash generated from operations	**191.0**	156.6
Business (acquisitions)/disposals	**(0.7)**	89.0
Total cash generated	**190.3**	245.6
Dividends paid	**(12.8)**	(12.9)
Share buybacks & other equity transactions (net)	**–**	(15.9)
Decrease in net debt	**177.5**	216.8

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

Cash inflow from operations before exceptional costs and changes in rental equipment decreased 29% to £266m reflecting lower EBITDA in 2010, whilst the cash conversion ratio was 104% (2009: 104%) reflecting reduced working capital in the recession. Total payments for capital expenditure (rental equipment and other PPE) were £43m whilst total disposal proceeds received totalled £31m. Net cash capital expenditure was therefore £12m in the year (2009: £144m).

There were again no net tax payments as a result of the reduced profitability in the recession. Financing costs paid differ from the accounting charge in the income statement due to the timing of interest payments in the year and non-cash interest charges. They reduced significantly due to the impact of both lower average interest rates and lower average debt levels, partially offset by the higher margin payable on the extended tranche of the ABL facility from November. Exceptional costs paid of £8m represented mostly staff severance and vacant property costs, all of which were provided for at 30 April 2009.

Accordingly the Group generated £190m (2009: £246m) of net cash inflow in the year. This reflected net cash generation of £191m from operations (2009: £157m) while in 2008/9 a further £89m was generated from the June 2008 sale of Ashtead Technology. £13m of this net inflow was returned to equity shareholders by way of dividends with the balance of £178m applied to reduce outstanding debt.

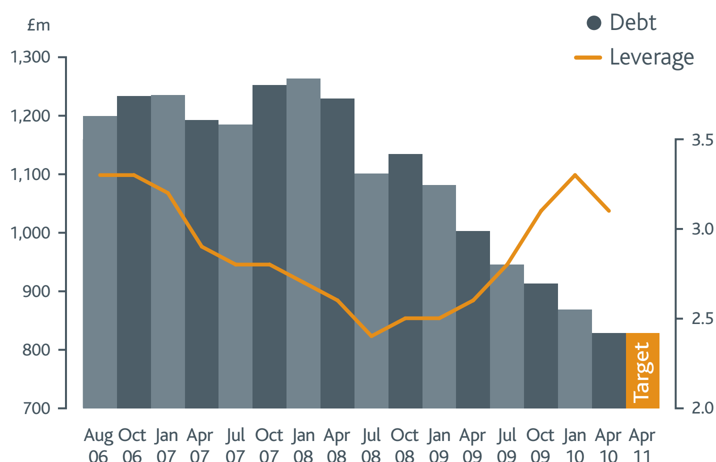
Over the past two years, a total of £436m of cash has been generated with £42m returned to shareholders in dividends and buy-backs and £394m applied to reduce net outstanding debt.

Net debt

The chart opposite shows how, at constant April 2010 exchange rates for comparability, we held debt flat in 2006 and 2007 whilst investing significantly in fleet reconfiguration and de-ageing following the NationsRent acquisition. Through 2008 to 2010, we significantly lowered

our capital expenditure, taking advantage of our young average fleet age, and consequently delivered significant reductions in outstanding debt, measured at constant exchange rates as shown in the chart below:

Net debt at constant currency



In greater detail, closing net debt at 30 April 2010 comprised:

	2010 £m	2009 £m
First priority senior secured bank debt	**367.5**	501.1
Finance lease obligations	**3.5**	7.9
8.625% second priority senior secured notes, due 2015	**160.2**	165.1
9% second priority senior secured notes, due 2016	**352.6**	363.5
	883.8	1,037.6
Cash and cash equivalents	**(54.8)**	(1.7)
Total net debt	**829.0**	1,035.9

Net debt at 30 April 2010 was significantly lower than last year at £829m (2009: £1,036m). 100% of our debt at 30 April 2010 was drawn in dollars providing a substantial but partial natural hedge against Sunbelt's dollar-based net assets.

Substantially all of the Group's cash and cash equivalents at 30 April 2010 were deposited with one large UK-based financial institution which is not expected to fail.

The ratio of net debt to underlying EBITDA at constant rates was 3.1 times at 30 April 2010 (2009: 2.6 times), just outside our 2–3 times target range as we had always anticipated could be the case during a severe recession. This calculation uses Group EBITDA before exceptionals from continuing operations for the 2009/10 year of £265m calculated at constant 30 April 2010 exchange rates. At actual rates net debt leverage was 3.2 times.

Our debt package remains well structured for the challenges of current market conditions. We retain substantial headroom on facilities which are committed for the long term, an average of five years at 30 April 2010, with the first maturity being on our asset-based senior bank facility which extends until November 2013. The weighted average interest cost of our debt facilities (including non-cash amortisation of deferred debt raising costs) is approximately 7.4%.

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

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

These covenants do not, however, apply when availability (the difference between the borrowing base and facility utilisation) exceeds $150m. At 30 April 2010 excess availability under the bank facility was $537m ($550m at 30 April 2009). Consequently the Group's entire debt package is expected to remain effectively covenant free, as has been the case during each of the last five years since the current debt structure was adopted in 2004.

Although the covenants were not required to be measured at 30 April 2010, the Group was in compliance with both of them at that date, as it had been throughout the fiscal year.

Debt facilities

The Group's principal debt facilities are as follows:

Asset-based first priority, secured bank debt

During the year, the $1.84bn first priority asset-based senior secured loan facility ('ABL facility') was amended and now consists of a $1,313m revolving credit facility committed until November 2013 ('the extended tranche') and a further $529m available on the original terms until August 2011 consisting of a $303m revolving credit facility ('the non-extended tranche') and a $226m term loan. Repayment of the term loan and amounts due to non-extending lenders will be met from the extended tranche of the revolver commitments.

Pricing for the revolving credit facility is based on the ratio of funded debt to EBITDA according to a grid which varies, depending on leverage, from LIBOR plus 300bp to LIBOR plus 375bp for the extended tranche and LIBOR plus 150bp to LIBOR plus 225bp for the non-extended tranche. The term loan is priced at LIBOR plus 175bp. At 30 April 2010, the Group's borrowing rate was LIBOR plus 350bp on the extended tranche, LIBOR plus 200bp on the non-extended tranche and LIBOR plus 175bp on the term loan.

The ABL facility carries minimal amortisation of $2.5m per annum on the term loan but otherwise is non-amortising. As the ABL facility is asset-based, the maximum amount available to be borrowed (which includes drawings in the form of standby letters of credit) depends on asset values (receivables, inventory, rental equipment and real estate) which are subject to periodic independent appraisal and was limited to $1,078m at 30 April 2010.

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

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

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

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

Under the terms of both the 8.625% and 9% notes, the Group is, subject to important exceptions, restricted in its ability to incur additional debt, pay dividends, make investments, sell assets, enter into sale and leaseback transactions and merge or consolidate with another company. Interest is payable on the 8.625% notes on 1 February and 1 August of each year and on the 9% notes on 15 February and 15 August. Both senior secured notes are listed on the Official List of the UK Listing Authority.

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Minimum contracted debt commitments

The table below summarises the maturity of the Group's debt and also shows the minimum annual commitments under off balance sheet operating leases at 30 April 2010 by year of expiry:

	Payments due by year ended 30 April						
	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	384.8	–	–	384.8
Finance leases	3.1	0.4	–	–	–	–	3.5
8.625% senior secured notes	–	–	–	–	–	163.3	163.3
9.0% senior secured notes	–	–	–	–	–	359.3	359.3
	3.1	0.4	–	384.8	–	522.6	910.9
Deferred costs of raising finance	–	–	–	(17.3)	–	(9.8)	(27.1)
Cash at bank and in hand	(54.8)	–	–	–	–	–	(54.8)
Net debt	(51.7)	0.4	–	367.5	–	512.8	829.0
Operating leases[1]	36.8	31.5	28.2	24.1	19.9	83.5	224.0
Total	(14.9)	31.9	28.2	391.6	19.9	596.3	1,053.0

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

Operating leases relate principally to properties which constituted 99% (£222m) of our total minimum operating lease commitments. There are also a few remaining operating leases relating to the vehicle fleet which constituted the remaining 1% (£2m) of such commitments.

Except for the off balance sheet operating leases described above, £19m ($29m) of standby letters of credit issued at 30 April 2010 under the first priority senior debt facility relating to the Group's insurance programmes and $1.3m of performance bonds granted by Sunbelt, we have no material commitments that we could be obligated to pay in the future which are not included in the Group's consolidated balance sheet.

Presentation of financial information

Currency translation and interest rate exposure

Our reporting currency is the pound sterling. However, a majority of our assets, liabilities, revenue and costs are denominated in US dollars. Fluctuations in the value of the US dollar with respect to the pound sterling have had, and may continue to have, a significant impact on our financial condition and results of operations as reported in pounds sterling due to the majority of our assets, liabilities, revenue and costs being denominated in US dollars.

We have arranged our financing so that 100% of our debt was denominated in US dollars at 30 April 2010. At that date, dollar-denominated debt represented approximately 82% of the value of dollar-denominated net assets (other than debt) providing a partial, but substantial, hedge against the translation effects of changes in the dollar exchange rate.

The dollar interest payable on this debt also limits the impact of changes in the dollar exchange rate on our pre-tax profits and earnings. Based on the currency mix of our profits currently prevailing and on current dollar debt levels and interest rates, every 1% change in the US dollar exchange rate would impact pre-tax profit by £40,000.

Revenue

Our revenue is a function of our prices and the size, utilisation and mix of our equipment rental fleet. The prices we charge are affected in large measure by utilisation and the relative attractiveness of our rental equipment, while utilisation is determined by market size and our market share, as well as general economic conditions. Utilisation is time-based utilisation which is calculated as the original cost of equipment on rent as a percentage of the total value of equipment in the fleet at the measurement date. In the US, we measure time utilisation on those items in our fleet with an original cost of $7,500 or more which constituted 90% of our US serialised rental equipment at 30 April 2010. In the UK, time utilisation is measured for all our serialised rental equipment. The size, mix and relative attractiveness of our rental equipment fleet is affected significantly by the level of our capital expenditure.

The main components of our revenue are:

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

Costs

The main components of our total costs are:

- staff costs – staff costs at our stores as well as at our central support offices represent the largest single component of our total costs. Staff costs consist of salaries, profit share and bonuses, social security costs, and other pension costs, and comprised 35% of our total operating costs in the year ended 30 April 2010;
- used rental equipment sold which comprises the net book value of the used equipment sold in the year as it was stated in our accounts immediately prior to the time at which it was sold and any direct costs of disposal, comprised 3% of our operating costs in the year ended 30 April 2010;
- other operating costs – comprised 38% of total costs in the year ended 30 April 2010. These costs include:
  - spare parts, consumables and outside repair costs – costs incurred for the purchase of spare parts used by our workshop staff to maintain and repair our rental equipment as well as outside repair costs;
  - facilities costs – rental payments on leased facilities as well as utility costs and local property taxes relating to these facilities;
  - vehicle costs – costs incurred for the purchase, maintenance and operation of our vehicle fleet, which consists of our delivery trucks, the light commercial vehicles used by our mobile workshop staff and cars used by our sales force, store managers and other management staff;
  - other costs – all other costs incurred in operating our business, including the costs of new equipment and merchandise sold, advertising costs and bad debt expense;
- depreciation – the depreciation of our property, plant and equipment, including rental equipment, comprised 24% of total costs in the year ended 30 April 2010.

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

Critical accounting policies

We prepare and present our financial statements in accordance with applicable International Financial Reporting Standards (IFRS). In applying many accounting principles, we need to make assumptions, estimates and judgements. These assumptions, estimates and judgements are often subjective and may be affected by changing circumstances or changes in our analysis. Changes in these assumptions, estimates and judgements have the potential to materially affect our results. We have identified below those of our accounting policies that we believe would most likely produce materially different results were we to change underlying assumptions, estimates and judgements. These policies have been applied consistently.

Revenue recognition

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

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

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

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

Useful lives of property, plant and equipment

We record expenditure for property, plant and equipment at cost. We depreciate equipment using the straight-line method over its estimated useful economic life (which ranges from three to 20 years with a weighted average life of eight years). We use an estimated residual value of 10% of cost in respect of most types of our rental equipment, although the range of residual values used varies between zero and 30%. We establish our estimates of useful life and residual value with the objective of allocating most appropriately the cost of property, plant and equipment to our profit and loss account, over the period we anticipate it will be used in our business.

We may need to change these estimates if experience shows that the current estimates are not achieving this objective. If these estimates change in the future, we may then need to recognise increased or decreased depreciation expense. Our total depreciation expense in the year ended 30 April 2010 was £187m.

Impairment of assets

Goodwill is not amortised but is tested annually for impairment at 30 April. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable and independent cash flows for the asset being tested for impairment. In the case of goodwill, impairment is assessed at the level of the Group's reporting units. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Management necessarily applies its judgement in estimating the timing and value of underlying cash flows within the value in use calculation as well as determining the appropriate discount rate. Subsequent changes to the magnitude and timing of cash flows could impact the carrying value of the respective assets.

Self-insurance

We establish provisions at the end of each financial year to cover our estimate of the discounted liability for uninsured retained risks on unpaid claims arising out of events occurring up to the end of the financial year. The estimate includes events incurred but not reported at the balance sheet date. The provision is established using advice received from external actuaries who help us extrapolate historical trends and estimate the most likely level of future expense which we will incur on outstanding claims. These estimates may however change, based on varying circumstances, including changes in our experience of the costs we incur in settling claims over time. Accordingly, we may be required to increase or decrease the provision held for self-insured retained risk. At 30 April 2010, the total provision for self-insurance recorded in our consolidated balance sheet was £22m (2009: £27m).

Geoff Drabble
Chief executive
16 June 2010

Ian Robson
Finance director

our directors

1. Chris Cole
Non-executive chairman ● ●
Aged 63, Chris Cole has been a director since January 2002 and was appointed as non-executive chairman in March 2007. Chris is chairman of the Nomination Committee and a member of the Finance and Administration Committee. He is chief executive of WSP Group plc.

Executive directors

2. Geoff Drabble
Chief executive ● ●
Aged 50, Geoff Drabble was appointed as chief executive in January 2007, having served as chief executive designate from October 2006 and as a non-executive director since April 2005. Geoff was previously an executive director of The Laird Group PLC where he was responsible for its Building Products division. Prior to joining The Laird Group, he held a number of senior management positions at Black & Decker. Geoff is chairman of the Finance and Administration Committee and a member of the Nomination Committee.

3. Ian Robson
Finance director ●
Aged 51, Ian Robson has been finance director since June 2000. Prior to June 2000, Ian held a series of senior financial positions at Reuters Group plc for four years. Before joining Reuters Group plc, he was a partner at Price Waterhouse (now PricewaterhouseCoopers LLP). Ian is a member of the Finance and Administration Committee.

4. Joe Phelan
President and chief executive officer, Sunbelt
Aged 53, Joe Phelan was appointed a director in April 2009. Joe was formerly the chief executive officer of DHL Global Mail based in Weston, Florida and was also a member of Deutsche Post's executive committee. Prior to joining DHL in 2004, he held a number of senior executive positions with American Airlines. Joe is an American citizen and lives in Charlotte, North Carolina.

5. Sat Dhaiwal
Chief executive officer, A-Plant
Aged 41, Sat Dhaiwal has been chief executive officer of A-Plant and a director since March 2002. Sat was managing director of A-Plant East, one of A-Plant's four operational regions, from May 1998 to March 2002. Before that he was an A-Plant trading director from 1995 and, prior to 1995, managed one of A-Plant's stores.

Non-executive directors

6. Hugh Etheridge
Senior independent non-executive director ● ● ●
Aged 60, Hugh Etheridge has been a director, chairman of the Audit Committee and a member of the Remuneration and Nomination Committees since January 2004. Hugh was appointed as senior independent non-executive director in March 2007. He is chief financial officer of the Waste and Resources Action Programme ('WRAP'), a non-profit organisation established by the UK Government to promote sustainable waste management. Before joining WRAP, he was finance director of Waste Recycling Group plc and prior to that, of Matthew Clark plc.

7. Gary Iceton
Independent non-executive director ● ● ●
Aged 60, Gary Iceton was appointed as a non-executive director and a member of the Audit and Nomination Committees effective from September 2004. Gary also became chairman of the Remuneration Committee in March 2007. Until 2000 he was a director of St Ives plc and chairman and chief executive of its Books Division. More recently, he was chairman of Jarrold Limited and, prior to that, chief executive officer of Amertrans. With effect from April 2008 he has also been a director of Norfolk Education Industry & Commerce Group Limited. Having completed two full terms as a non-executive director, Gary will be standing down from the Board at the 2010 Annual General Meeting.

8. Michael Burrow
Independent non-executive director ● ● ●
Aged 57, Michael Burrow was appointed as a non-executive director and member of the Audit, Remuneration and Nomination Committees effective from March 2007. Michael was formerly managing director of the Investment Banking Group of Lehman Brothers Europe Limited.

9. Bruce Edwards
Independent non-executive director ●
Aged 55, Bruce Edwards was appointed as a non-executive director in June 2007 and a member of the Nomination Committee effective from February 2009. Bruce is the global chief executive officer for Exel Supply Chain at Deutsche Post World Net, and a member of its board of management. He joined DPWN following its acquisition of Exel PLC in December 2005. Prior to the acquisition, he was a director of Exel PLC and chief executive of its Americas businesses. Bruce is also a non-executive director of Greif Inc, a NYSE-listed packaging and container manufacturer. He is an American citizen and lives in Columbus, Ohio.

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

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

directors' report

The directors present their report and the audited accounts for the financial year ended 30 April 2010.

Principal activities

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

Trading results and dividends

The Group's consolidated profit before taxation for the year was £4.8m (2009: £0.8m). A review of the Group's performance and future development, including the principal risks and uncertainties facing the Group, is given in the Business and Financial Review on pages 23 to 25 and in note 23 to the financial statements. These disclosures form part of this report. The Company paid an interim dividend of 0.9p per ordinary share in February and the directors recommend the payment of a final dividend of 2.0p per ordinary share, to be paid on 10 September 2010 to those shareholders on the register at the close of business on 20 August 2010, making a total dividend for the year of 2.9p (2009: 2.575p).

Share capital and major shareholders

Details of the Company's share capital are given in note 19 to the financial statements.

Voting rights

Subject to the Articles of Association, every member who is present in person at a general meeting shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he or she is the holder. The Trustees of the Employee Share Ownership Trust ordinarily follow the guidelines issued by the Association of British Insurers and do not exercise their right to vote at general meetings.

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

Transfer of shares

Certified shares

(i) A share transfer form cannot be used to transfer more than one class of share. Each class needs a separate form.

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

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

CREST shares

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

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

Based on notifications received the holdings of 3% or more of the issued share capital of the Company as at 15 June 2010 (the latest practicable date before approval of the financial statements) are as follows:

	%
Aegon Asset Management	11
Aviva plc	7
Artemis Investment Management	5
Ameriprise Financial, Inc.	5
BlackRock, Inc.	4
Legal & General	4

Details of directors' interests in the Company's ordinary share capital and in options over that share capital are given in the Directors' Remuneration Report on pages 39 to 43. Details of all shares subject to option are given in the notes to the financial statements on page 67.

Change of control provisions in loan agreements

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

Such a change of control also leads to an obligation, within 30 days of the change in control, for the Group to make an offer to the holders of the Group's senior secured notes to redeem them at 101% of their combined face value of $800m.

Directors and directors' insurance

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

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

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

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

Policy on payment of suppliers

Suppliers are paid in accordance with the individual payment terms agreed with each of them. The number of Group creditor days at 30 April 2010 was 88 days (30 April 2009: 53 days) which reflects the terms agreed with individual suppliers. There were no trade creditors in the Company's balance sheet at any time during the past two years.

Political and charitable donations

Charitable donations in the year amounted to £138,991 in total (2009: £55,329). No political donations were made in either year.

Auditors

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

Annual General Meeting

The Annual General Meeting will be held at 2.00pm on Tuesday, 7 September 2010. Notice of the meeting is set out in the document accompanying this Report and Accounts.

In addition to the adoption of the 2009/10 Report and Accounts, the declaration of a final dividend, resolutions dealing with the appointment and re-election of directors and the resolution dealing with the approval of the Directors' Remuneration Report, there are seven other matters which will be considered at the Annual General Meeting. These relate to the reappointment and remuneration of Deloitte LLP as auditors, the ability for the directors to unconditionally allot shares up to approximately two-thirds of the Company's share capital, the disapplication of pre-emption rights in relation to the previous resolution, empowering the Company to buy back up to 15% of its issued share capital, amendments to the Company's Articles of Association and the ability to call a meeting other than a general meeting on not less than 14 days' clear notice. The majority of these resolutions update for a further year similar resolutions approved by shareholders in previous years.

By order of the Board

Eric Watkins
Company Secretary
16 June 2010

corporate governance report

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

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

The Board

The Company's Board comprises the non-executive chairman, the chief executive, the finance director, the executive heads of Sunbelt and A-Plant, the senior independent non-executive director and three other independent non-executive directors. Short biographies of the directors are given on page 33.

The chairman undertakes leadership of the Board by agreeing Board agendas and encourages its effectiveness by the provision of timely, accurate and clear information on all aspects of the Group's business, to enable the Board to take sound decisions and promote the success of the business. The chairman, assisted by other directors, reviews the effectiveness of each member of the Board no less than annually and facilitates constructive relationships between the executive and non-executive directors through both formal and informal meetings.

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

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

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

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

Regular reports and briefings are provided to the Board, by the executive directors and the company secretary, to ensure the directors are suitably briefed to fulfil their roles. The Board normally meets six times a year and there is contact between meetings to advance the Company's activities. It is the Board's usual practice to meet at least annually with the boards of Sunbelt and A-Plant. The directors also have access to the company secretary and are able to seek independent advice at the Company's expense.

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

In accordance with the Company's articles of association, Chris Cole, Sat Dhaiwal and Ian Robson will offer themselves for re-election to the Board at the Annual General Meeting. In addition, Gary Iceton will be standing down as a director at the Annual General Meeting, having completed two full terms as a non-executive director.

Non-executive directors

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

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

Performance evaluation

The performance of the chairman, the chief executive, the Board and its committees is evaluated, amongst other things, against their respective role profiles and terms of reference. The executive directors are evaluated additionally against the agreed budget for the generation of revenue, profit and value to shareholders.

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

Board committees

Audit Committee

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

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

- the results for the periods ended 31 July 2009, 31 October 2009 and 31 January 2010 and the results for the year ended 30 April 2010;
- the external audit plan and key areas of audit focus for the year ended 30 April 2010;
- reports from the external auditor, Deloitte, related to the results for the six months ended 31 October 2009 and the year ended 30 April 2010. The Committee considered the work done and the key accounting estimates and principal judgemental accounting and reporting issues;

- the independence, objectivity and effectiveness of Deloitte and, in that context, the level of audit and non-audit fees paid to them. The Committee was satisfied as to their independence, objectivity and effectiveness;
- arrangements for internal audit during the year ended 30 April 2010 and 2011;
- audit plans and reports from the internal operational auditors responsible for auditing detailed operational controls at a store level;
- the Group risk register and reports on the work of the Group Risk Committee;
- the effectiveness of the Group's internal controls and financial reporting policies; and
- reports on matters referred through the Group's whistle-blowing procedures and any actions taken following appropriate investigation.

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

Deloitte LLP was appointed external auditor in 2004. In accordance with APB Ethical Standards, which prevent the engagement partner responsible for the audit of a public company being involved for more than five years, the signing partner changed in 2008/9. The Committee is again recommending to the Board that a proposal be put to shareholders at the 2010 Annual General Meeting for the reappointment of Deloitte. There are no contractual restrictions on the Company's choice of external auditor and in making its recommendation the Committee took into account, amongst other matters, the objectivity and independence of Deloitte, as noted above, and their continuing effectiveness and cost.

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

Remuneration Committee

The Remuneration Committee comprises Gary Iceton (chairman), Hugh Etheridge and Michael Burrow, all of whom served throughout the year. The Committee meets as and when required during the year to set the compensation packages for the executive directors, to establish the terms and conditions of the executive directors' employment and to set remuneration policy generally. Chris Cole and Geoff Drabble normally attend the meetings of the Committee to assist it in its work. The Committee also engages remuneration consultants to advise it in its work as and when required.

None of the members of the Remuneration Committee is currently or has been at any time one of the Company's executive directors or an employee. None of the executive directors currently serves, or has served, as a member of the board of directors of any other company which has one or more of its executive directors serving on the Company's Board or Remuneration Committee.

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

Nomination Committee

The Nomination Committee comprises Chris Cole (chairman), Geoff Drabble, Hugh Etheridge, Gary Iceton, Michael Burrow and Bruce Edwards, all of whom served throughout the year. The Nomination Committee meets as and when required to consider the structure, the size and composition of the Board of directors.

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

Attendance at Board and Committee meetings held between 1 May 2009 and 30 April 2010

	Board	Audit	Remuneration	Nomination
Number of meetings held	7	5	4	1
Chris Cole	7	–	–	1
Sat Dhaiwal	7	–	–	–
Geoff Drabble	7	–	–	1
Joe Phelan	7	–	–	–
Ian Robson	7	–	–	–
Michael Burrow	7	5	4	1
Bruce Edwards	7	–	–	1
Hugh Etheridge	7	5	4	1
Gary Iceton	7	4	4	1

Finance and Administration Committee

The Finance and Administration Committee comprises Chris Cole, Geoff Drabble (chairman) and Ian Robson. The Board of directors has delegated authority to this Committee to deal with routine financial and administrative matters between Board meetings. The Committee meets as necessary to perform its role and has a quorum requirement of two members with certain matters requiring the participation of Chris Cole, non-executive chairman, including, for example, the approval of material announcements to the London Stock Exchange.

Internal control

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

The Board confirms that there is a process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place for the full financial year and is ongoing. Under its terms of reference the Group Risk Management Committee, which was formed last year, meets semi-annually or more frequently if required, with the objective of encouraging best risk management practice across the Group and a culture of regulatory compliance and ethical behaviour. The Group Risk Management Committee reports annually to the Audit Committee. These processes accord with the Turnbull Guidance.

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

The Group reviews the risks it faces in its business and how these risks are managed. These reviews are conducted in conjunction with the management teams of each of the Group's businesses and are documented in an annual report. The reviews consider whether any matters have arisen since the last report was prepared which might indicate omissions or inadequacies in that assessment. It also considers whether, as a result of changes in either the internal or external environment, any new significant risks have arisen. The executive directors reviewed the draft report for 2010, which was then presented to, discussed and approved by the Audit Committee and by the Group Board on 14 June 2010.

Before producing the statement on internal control for the annual report and accounts for the year ended 30 April 2010, the Board reconsidered the operational effectiveness of the Group's internal control systems. In particular, through the Audit Committee, it received reports from the operational audit teams and considered the status of implementation of internal control improvement recommendations made by the Group's

internal auditors and its external auditors. The control system includes written policies and control procedures, clearly drawn lines of accountability and delegation of authority, and comprehensive reporting and analysis against budgets and latest forecasts.

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

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

- the maintenance and production of accurate and timely financial management information, including a monthly profit and loss account and selected balance sheet data for each store;
- the control of key financial risks through clearly laid down authority levels and proper segregation of accounting duties at the Group's accounting support centres;
- the preparation of a monthly financial report to the Board, including income statements for the Group and each subsidiary, balance sheet and cash flow statement;
- the preparation of an annual budget and periodic update forecasts which are reviewed by the executive directors and then by the Board;
- a programme of rental equipment inventories and full inventory counts conducted at each profit centre by equipment type independently checked on a sample basis by our operational auditors and external auditors;
- detailed internal audits at the Group's major accounting centres undertaken periodically by internal audit specialists from a major international accounting firm;
- comprehensive audits at the stores generally carried out annually by internal operational audit. A summary of this work is provided annually to the Audit Committee; and
- a review of arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Statement of directors' responsibilities

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

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. IAS 1, Presentation of Financial Statements, requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the representation of the effects of transactions, as well as other events and conditions, in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's Framework for the Preparation and Presentation of Financial Statements. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Board confirms to the best of its knowledge:

- the consolidated financial statements, prepared in accordance with IFRS as issued by the International Accounting Standards Board and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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

Going concern

The Group's operations and financial condition, together with factors likely to affect its future development, performance and condition are set out in the Business and Financial Review on pages 6 to 31. In particular, the Group's financial management and cash flow, including details of the Group's banking facilities are set out on pages 28 to 30. In addition, note 23 to the financial statements describes the Group's financial risk management policies and processes, including its exposure to interest rate risk, currency exchange risk, credit risk and liquidity risk.

The Group's debt facilities are committed for a weighted average period of five years as of 30 April 2010 with the earliest significant maturity being the ABL facility which continues until November 2013. The Group finances its day-to-day activity via the ABL facility under which excess availability totalled $537m at year end. Taking account of reasonably possible changes in trading performance, used equipment values and the other factors that might impact availability, the Group expects to maintain significant headroom under the ABL facility for the forthcoming year.

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

By order of the Board

Eric Watkins
Company Secretary
16 June 2010

directors' remuneration report

Introduction

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the 'Regulations'). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the forthcoming Annual General Meeting of the Company.

The Act requires the auditors to report to the Company's members on elements of the Directors' Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Accounting Regulations. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration Committee

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

The Group's chief executive, Geoff Drabble, normally attends the meetings of the Committee to advise on operational aspects of the implementation of existing policies and policy proposals, except where his own remuneration is concerned, as does the non-executive chairman, Chris Cole. The company secretary acts as secretary to the Committee. Under Gary Iceton's direction, the company secretary and Geoff Drabble have responsibility for ensuring the Committee has the information relevant to its deliberations. In formulating its policies, the Committee has access to professional advice from outside the Company, as required, and to publicly available reports and statistics. External professional advice was obtained in the year from Hewitt New Bridge Street (HNBS) with respect to current remuneration trends in FTSE 250 companies.

Remuneration policy for executive directors

Executive remuneration packages are designed to attract, motivate and retain directors of the high calibre needed to achieve the Group's objectives and to reward them for enhancing value to shareholders. The main elements of the remuneration package for executive directors and senior management are:

- basic annual salary and benefits in kind;
- annual performance related bonus plan;
- Performance Share Plan awards; and
- pension arrangements.

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

- the size of the company (enterprise value, revenues, profits and number of employees);
- the diversity and complexity of its businesses;
- the geographical spread of its businesses; and
- their growth, expansion and change profile.

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

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

None of the executive directors hold any outside appointments.

Basic salary

An executive director's basic salary is normally determined by the Committee before the start of the year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the experience and performance of individuals and relationships across the Board and seeks to be competitive, but fair, using information drawn from both internal and external sources and taking account of pay and conditions elsewhere in the Company. Reflecting the current market environment and focus on operating costs, for the second successive year, salaries for 2010/11 will be held at their 2008/9 level.

Annual performance related bonus plan

Under the annual performance related bonus plan for executive directors, payouts for the year to 30 April 2010 were related directly to profitability and cash flow and were subject to a cap of 100% of salary. The Committee establishes the objectives that must be met for each financial year if a cash incentive bonus for that year is to be paid. In determining bonus parameters, the Committee's objective is to set targets that reflect appropriately challenging financial performance.

The target for Geoff Drabble and Ian Robson relating to profitability was partially achieved while the target relating to cash flow was fully achieved. As a result they earned 75% of their maximum bonus entitlement for the year. The financial targets relevant to Joe Phelan and Sat Dhaiwal depended on Sunbelt's and A-Plant's performance respectively and were also partially achieved with the result that they each earned 50% of their maximum bonus.

For the year to 30 April 2011, executive directors' performance related bonuses will be subject to a cap of 100% of salary with 50% of bonus potential based on profitability targets and 50% on cash generation targets.

Share-based incentives and dilution limits

The Company observes an overall dilution limit of 10% in 10 years for all Company share schemes, together with a limit of 5% in 10 years for discretionary schemes.

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

Previous plans

A. Executive share option schemes

Until 2002, it was the Committee's policy to make regular awards under the Company's executive share option plans to senior staff. No awards have been granted under this plan since February 2002. Shareholder approval for this plan had been granted in 1996 and accordingly the plan formally lapsed in October 2006.

B. Investment Incentive Plan

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

Current plan – Performance Share Plan

Under the Performance Share Plan ('PSP') executive directors and other members of the senior management team may annually be awarded a conditional right to acquire shares ('performance shares') the vesting of which depends on the satisfaction of demanding performance conditions. Performance conditions are based on Total Shareholder Return ('TSR') and/or Earnings Per Share ('EPS').

In recent years, the policy has been to grant awards of shares with a market value at the date of grant equal to between 20% and 100% of the participant's base salary with the executive directors typically receiving the upper end of this range. Following approval of the amendment to the Performance Share Plan Rules at the 2008 Annual General Meeting, Geoff Drabble's 2009 award was 150% of his base salary as at the date of grant.

As agreed by the Nomination and Remuneration Committees prior to Joe Phelan joining the Group, Joe's 2009 PSP award was enhanced by around 15% ($80,000) above the usual 100% of base salary to compensate him for incentives lost when he left his previous employment. The 2009 awards for the other executive directors were at 100% of base salary.

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

Award date	Financial year	Performance criteria (measured over three years) EPS (% of award)	TSR (% of award)	Status
6/10/04	2004/5	2006/7 EPS between 5p (12.5% vested) and 8p (50% vested)	From award date versus FTSE Small Cap (12.5% at median; 50% at upper quartile)	Vested in full in October 2007
17/8/05	2005/6	2007/8 EPS between 7.7p (12.5% vested) to 9.1p (50% vested)	From date of grant versus FTSE 250 Index (12.5% at median; 50% at upper quartile)	EPS target met in full and 50% of the award vested. The remaining 50% lapsed
12/10/06	2006/7	2008/9 EPS – 16.2p (12.5% vested) – 19p (100% vested)		Lapsed
30/7/07	2007/8	2009/10 EPS – RPI + 4% p.a. (30% vested) – RPI + 10% p.a. (100% vested)		Lapsed
14/10/08	2008/9	2010/11 EPS – RPI + 0% p.a. (12.5% vested) – RPI + 5% p.a. (50% vested)	From date of grant versus FTSE 250 Index (12.5% at median; 50% at upper quartile)	Not completed
13/7/09	2009/10	2011/12 EPS – RPI + 0% (25% vested)	From date of grant versus FTSE 250 Index (37.5% at median; 75% at upper quartile)	Not completed

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

EPS for the purpose of the awards was based on the profit before tax, exceptional items and amortisation of acquired intangibles less a notional 30% tax charge for awards made for years up to 2006/7. Thereafter awards have been based on EPS computed using the same profit definition less the actual tax charge included in the accounts. The Remuneration Committee considers it most appropriate to measure TSR performance relative to the FTSE 250 (excluding investment trusts) rather than a specific comparator group of companies because there are few direct comparators to the Company listed in London and because the Company is a FTSE 250 company.

Following consultation with the Company's major shareholders in 2008, the Committee reintroduced a TSR performance target for its 2008/9 PSP awards in addition to an EPS target. Given the cyclical nature of our business the Committee intends to vary the proportion of the performance criteria represented by EPS and TSR over the cycle between 50%/50%, 75%/25% and 25%/75%. For the forthcoming 2010/11 PSP awards, the Committee intends that vesting will be based 50% on TSR and 50% on EPS.

Shareholding guidelines

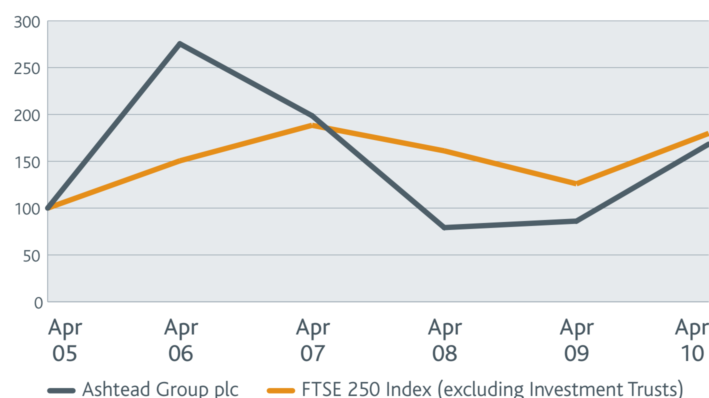
Executive directors are required to retain no fewer than 50% of shares that vest under the Performance Share Plan (net of taxes) until such time as a shareholding equivalent to 100% of salary is achieved and thereafter maintained.

Employee Share Ownership Trust

The Group has established an Employee Share Ownership Trust ('ESOT') to acquire and hold shares in the Company to satisfy potential awards under the Performance Share Plan. At 30 April 2010, the ESOT held a beneficial interest in 5,669,844 shares.

Relative performance

The following graph compares the Company's TSR performance with the FTSE 250 Index (excluding investment trusts) over the five years ended 30 April 2010. The FTSE 250 is the Stock Exchange index the Committee considers to be the most appropriate to the size and scale of the Company's operations.



Source: Thomson Financial

This graph shows the value, by 30 April 2010, of £100 invested in Ashtead plc on 30 April 2005 compared with the value of £100 invested in the FTSE 250 Index (excluding investment trusts). The other points plotted are the values at intervening financial year ends.

Directors' pension arrangements

The Company makes a payment of 40% of his base salary to Geoff Drabble in lieu of providing him with any pension arrangements. This provision was agreed prior to his joining the Company in 2006 and reflected the fact that he was leaving a generous defined benefit arrangement at his previous employer. His retirement, under his contract, is at age 60.

Under the terms of his contract, Ian Robson is entitled to retire at age 60 on a pension equal to one-thirtieth of his final salary for each year of pensionable service. Ian Robson's contract also contains early retirement provisions enabling him to retire at a date of his choosing and draw a pension based on actual years of service, but without deduction for early payment. These provisions became effective from May 2010 when he completed 10 years' service with the Company. Ian Robson pays contributions equal to 7.5% of his salary to the Retirement Benefits Plan. Both the accrual rate and the early retirement provisions were agreed prior to Mr Robson joining the Company in 2000 and reflected the need to be competitive with similar arrangements he enjoyed with his previous employer.

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

The Retirement Benefits Plan also provides for:

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

Joe Phelan received a payment of 15% of his base salary during his first year of employment in lieu of providing him with any pension arrangements. This was reduced to 14% of base salary thereafter. In line with US law no retirement age is specified under Joe's contract.

Executive directors' service agreements

The service agreements between the Company and Geoff Drabble (dated 6 July 2006), Ian Robson (dated 4 August 2000), Sat Dhaiwal (dated 8 July 2002) and between Sunbelt and Joe Phelan (dated 20 April 2009) are all terminable by either party giving the other 12 months' notice. The service agreements for each of the executive directors all contain non-compete provisions appropriate to their roles.

In accordance with best practice, none of the executive directors' contracts provide for payment of any bonus for the period when notice has been given.

Remuneration policy for non-executive directors

The remuneration of the non-executive directors is determined by the Board within limits set out in the Articles of Association. None of the non-executive directors has a service contract with the Company and their appointment is therefore terminable by the Board at any time.

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

Audited information

Directors' remuneration

The total amount of directors' remuneration was £2,998,000 (2009: £2,309,000) and consisted of emoluments of £2,919,000 (2009: £2,140,000), gains on exercise of share options of £79,000 (2009: £45,000) and £nil (2009: £124,000) receivable under long-term incentive plans.

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

Name	Salary £'000	Fees £'000	Performance related bonus £'000	Benefits in kind[(i)] £'000	Other allowances[(ii)] £'000	Total emoluments 2010 £'000	Total emoluments 2009 £'000
Executive:							
Sat Dhaiwal	220	–	110	1	14	345	235
Geoff Drabble	456	–	342	31	208	1,037	826
Joe Phelan	325	–	162	11	163	661	7
Ian Robson	328	–	246	1	11	586	422
Non-executive:							
Chris Cole	–	110	–	–	–	110	110
Michael Burrow	–	40	–	–	–	40	40
Bruce Edwards	–	40	–	–	–	40	40
Hugh Etheridge	–	55	–	–	–	55	55
Gary Iceton	–	45	–	–	–	45	45
Former director:							
Cliff Miller[(iii)]	–	–	–	–	–	–	360
	1,329	290	860	44	396	2,919	2,140
2009	1,315	290	196	44	295		2,140

(i) Benefits in kind comprise the taxable benefit of company owned cars, private medical insurance and subscriptions.
(ii) Other allowances include car allowances, travel and accommodation allowances and the payment of 40% of salary in lieu of pension contributions for Geoff Drabble and 15% for Joe Phelan.
(iii) In accordance with the terms and conditions of his service contract and the Company having received an executed severance and release agreement and conditional on his observing the non-compete and non-solicit provisions in his service contract, Cliff Miller was paid his base salary for a period of 12 months from the termination of his employment. This equated to £340,000 and, although provided in the 2008/9 financial statements, was paid in full during the year ended 30 April 2010. No further payments are due with respect to Cliff Miller's departure. In accordance with the rules of the plan, he remains a participant in the Performance Share Plan in respect of previous awards on a pro rata basis up to his date of departure.

Key management

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

Compensation for key management was as follows:

	2010 £'000	2009 £'000
Salaries and short-term employee benefits	**2,919**	2,140
Post-employment benefits	**101**	93
National insurance and social security	**253**	288
Share-based payments	**265**	(938)
	3,538	1,583

Directors' pension benefits

	Age at 30 April 2010 Years	Accrued pensionable service at 30 April 2010 Years	Contributions paid by the director £'000	Accrued annual pension at 30 April 2010 £'000	Increase in annual pension during the year: Excluding inflation £'000	Increase in annual pension during the year: Total increase £'000	Transfer value of accrued pension at 30 April 2010 £'000	Transfer value of accrued pension at 30 April 2009 £'000	Increase in transfer value over the year £'000
Sat Dhaiwal	41	16	17	58	5	5	448	357	74
Ian Robson	51	10	25	103	10	10	1,790	1,392	373

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

Prior to his departure in April 2009, Cliff Miller had deferred part of his annual salary and bonus in the Sunbelt deferred compensation plan. At 30 April 2009, the outstanding balance in the plan due to Cliff was $145,570 or £98,239. During 2009/10, Cliff withdrew all the remaining balance of $145,570.

Directors' interests in shares

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

	30 April 2010 Number of ordinary shares of 10p each	30 April 2009 Number of ordinary shares of 10p each
Michael Burrow	**100,000**	100,000
Chris Cole	**77,082**	77,082
Sat Dhaiwal	**365,849**	365,849
Geoff Drabble	**361,357**	361,357
Bruce Edwards	**40,000**	40,000
Hugh Etheridge	**20,000**	20,000
Gary Iceton	**49,082**	49,082
Joe Phelan	**–**	–
Ian Robson	**1,514,829**	1,480,092

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

Performance Share Plan awards

Shares held by executive directors and by a former director, Cliff Miller, under the PSP are shown in the table below:

	Year of grant	Held at 30 April 2009	Exercised during year	Granted/(lapsed) during the year	**Held at 30 April 2010**
Sat Dhaiwal	2006/7	90,468	–	(90,468)	**–**
	2007/8	116,418	–	–	**116,418***
	2008/9	384,279	–	–	**384,279**
	2009/10	–		405,530	**405,530**
Geoff Drabble	2006/7	264,943	–	(264,943)	**–**
	2007/8	320,896	–	–	**320,896***
	2008/9	1,194,760	–	–	**1,194,760**
	2009/10	–		1,260,829	**1,260,829**
Joe Phelan	2009/10	–	–	686,735	**686,735**
Ian Robson	2006/7	193,861	–	(193,861)	**–**
	2007/8	235,075	–	–	**235,075***
	2008/9	572,052	–	–	**572,052**
	2009/10	–		603,687	**603,687**
Former director:	2006/7	174,047	–	(174,047)	**–**
Cliff Miller	2007/8	107,973	–	–	**107,973*+**
	2008/9	83,557	–	–	**83,557+**

* Subsequent to 30 April 2010, the Remuneration Committee determined that the performance conditions attaching to the 2007/8 PSP grant had not been achieved and these grants have now also lapsed in their entirety.
\+ In the case of Cliff Miller, at the date of termination of employment on 6 April 2009. The PSP awards have been pro-rated in accordance with the PSP rules.

The performance conditions attaching to the Performance Share Plan referred to above are detailed on pages 39 and 40.

Directors' interests in share options

	Options at 1 May 2009	Exercised during year	Lapsed during year	**Options at 30 April 2010**	Exercise price	Earliest normal exercise date	Expiry
Discretionary schemes							
Sat Dhaiwal	37,941	–	–	**37,941**	115.3p	Feb 2004	Feb 2011
Ian Robson	31,979	(31,979)	–	**–**	93.8p	Aug 2003	Aug 2010
	211,932	(211,932)	–	**–**	94.6p	Aug 2003	Aug 2010
	249,332	–	–	**249,332**	115.3p	Feb 2004	Feb 2011
SAYE scheme							
Sat Dhaiwal	4,960	–	(4,960)	**–**	122.1p	Sep 2009	Feb 2010

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

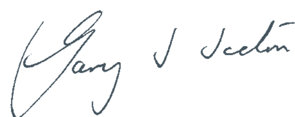
	Number exercised	Exercise date	Option price	Market price at date of exercise	Gain £'000
Ian Robson	31,979	26 April 2010	93.8p	126.8p	11
	211,932	26 April 2010	94.6p	126.8p	68

On exercise on 26 April 2010 of the share options originally awarded to him in August 2000, Ian Robson sold 209,174 shares to generate net proceeds equal to the exercise price and the income tax and national insurance on the exercise. He retained the remaining 34,737 shares.

Sat Dhaiwal's interest in 54,202 units in the Company's Cash Incentive Scheme granted to him in February 2000 lapsed in February 2010 with no payment being due.

The market price of the Company's shares at the end of the financial year was 119p and the highest and lowest closing prices during the financial year were 125p and 48p respectively.

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



Gary Iceton
Chairman, Remuneration Committee
16 June 2010

corporate responsibility report

Objectives and management structure

Ashtead is committed to operating in a safe, ethical and responsible manner in all its endeavours. We place high priority on compliance with our legislative and regulatory obligations and on maintaining the safety of our workforce across the Group.

Our Group Risk Committee is charged with overseeing the Group's environmental, health and safety and risk management processes and ensuring that the efforts of Sunbelt and A-Plant are co-ordinated so that best practice in one business can be adopted by the other. The Group Risk Committee reports to the Group chief executive and the Audit Committee.

It is chaired by an executive director of Ashtead Group plc, currently Ian Robson, with its other members being:

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

The Group Risk Committee provides the Audit Committee, and through it the Board, with a comprehensive annual report on its activities including details of the areas identified in the year as requiring improvement and the status of actions being taken to make the necessary improvements. In this way we are able to ensure that there is an effective 'chain of command' within the business in relation to environmental, health and safety and risk management issues.

Health and safety

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

Evidence of this commitment was given when shortly prior to year end, A-Plant was advised by the British Standards Institute that it had achieved ISO 9001 (the Quality Standard) accreditation across all its operations. This is in addition to the ISO 14001 (Environmental management) and OHSAS 18001 (Occupational Health & Safety management) accreditations obtained in 2009. These certifications give confidence that we have in place the appropriate policies, training programmes, feedback and auditing and monitoring processes to minimise our impact on the environment and ensure the safety of our workforce.

We maintain sizeable internal health and safety teams to ensure that the correct health and safety precautions are in place throughout our business. We track and analyse any incidents which occur to enable us to identify recurrent issues and implement preventative improvements across our UK and US networks.

Over the last year, Sunbelt had 414 reported incidents relative to a workforce of 5,675 (2009: 492 incidents relative to a workforce of 6,742) whilst the UK had 318 incidents relative to a workforce of 1,964 (2009: 367 incidents relative to a workforce of 2,336). An incident for this purpose does not necessarily mean that an employee was hurt or injured. Rather it represents an event that we want to track and report for monitoring and learning purposes under our health and safety management policies.

Legislation in the US and UK defines reportable accidents under rules which make the data non-comparable between the two countries but comparable within each country relative to other businesses. Under these definitions which generally encompass more accidents in the US than in the UK, Sunbelt had 231 OSHA (Occupational Health and Safety Administration) recordable accidents (2009: 298 accidents) which, relative to total employee hours worked, gave a Total Incident Rate ('TIR') of 3.21 (2009: 3.41). In the UK, A-Plant had 63 RIDDOR reportable incidents (2009: 42) which again, relative to total employee hours worked, gave a RIDDOR reportable rate of 1.52 (2009: 1.04).

In the US, an OSHA recordable incident is one where medical attention more extensive than simple first aid is required whereas in the UK a RIDDOR reportable incident (as defined by the UK Health and Safety Executive) is an incident which results in the injured employee not returning to work for more than three days.

In order to compare accident rates between the US and UK, A-Plant also applied the US OSHA definition to its accident population which gave a figure of 114 (2008/9: 96) OSHA recordable accidents in the UK. On a like-for-like basis in the year ended April 2010, Sunbelt therefore had 39 (2008/9: 44) OSHA recordable incidents for every 1,000 employees whilst A-Plant's equivalent incident rate was 58 (2008/9: 42).

The increase in 2009/10 in UK incidents compared to the previous year does not reflect any lessening of focus on health and safety matters and additionally none of the recorded incidents resulted in any major long-term injury. A-Plant therefore anticipates its accident rate in the coming year returning towards previous levels.

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

Safeguarding the environment

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

- the regular renewal of our rental fleets to ensure that the equipment we provide to our customers mostly incorporates the latest environmental management thinking available from our chosen manufacturers. At 30 April 2010 the average age of our fleet was approximately 44 months;
- our network of stores to ensure that they are adequately equipped to operate in a safe and secure way, protective of the environment. Key matters which are addressed in this programme are: wash-down bays to collect and safely dispose of materials released when we inspect and clean equipment returned from rent; enclosed paint booths and spray shops to ensure that repainting of equipment can be conducted safely and securely; bunded fuel tanks and designated spill areas to ensure secure fuelling of our fleet and, where relevant, vehicles. We also seek to ensure proper arrangements are made, through the use of reputable vendors, for the collection and disposal of waste fuels and oils, tyres and other old or broken parts released as we service and maintain our rental fleets. Already A-Plant works mostly with a single national supplier to manage this centrally and Sunbelt is looking to reduce the number of vendors it uses in the coming year to enable additional assurance to be gained in this area; and
- a modern and efficient delivery truck fleet to ensure that our vehicles are purchased with the latest available emissions management and fuel efficiency available from our chosen suppliers.

We also support the initiatives of the Carbon Disclosure Project in the management of harmful carbon dioxide emissions. We participate in its annual survey and are committed in future to reporting on our carbon dioxide consumption in our Annual Report. Across the Group our estimated total CO_2 emissions in the year to 30 April 2010 were 181,000 tonnes (2009: 197,000 tonnes). This comprised 155,000 tonnes at Sunbelt (2009: 169,000 tonnes) and 26,000 tonnes for A-Plant (2009: 27,000 tonnes).

Whilst these emission levels are low relative to our revenues and employee numbers, we recognise that most of our emissions are generated by our delivery truck fleet in transporting our equipment to customers' job sites. Our customers expect and pay for this delivery but we are working on a number of initiatives to enable our customers to help us reduce our emission levels and the delivery charges we make to them. For example, on big, long-term construction sites, we are increasingly placing pools of our equipment at the job site enabling equipment to be sourced on site and thereby reducing the site's overall transportation needs. We are also investing in building a secure container in which to store smaller tools at the job site with an electronic access gate which uses RFID tagging to enable automated invoicing to the customer as the tools are used.

Employees

Our employees are our greatest asset and we place enormous value on their welfare, as well as the superior level of service they provide for our customers. At 30 April 2010, we had 7,200 employees across the Group. Our employees benefit from extensive on-the-job training schemes and are incentivised to deliver superior performance and customer service. We continue to take action consistently through the year to maintain and develop arrangements aimed at involving employees in the Group's affairs. For example, regular meetings are held at profit centres to discuss performance and enable employees to input into ways of improving performance and service levels.

We pride ourselves on many of our staff remaining with us throughout their careers, something which is increasingly uncommon. Several of our most senior staff started out at entry level within our stores and their continuity of employment is testament to our focus on employee development. We are committed to ensuring equal opportunities for all our staff, as well as to prioritising local employment, such that our businesses predominantly recruit from the areas immediately around our facilities. We make every reasonable effort to give disabled applicants and existing employees becoming disabled, opportunities for work, training and career development in keeping with their aptitudes and abilities. More information on our employees can be found on pages 17 and 24.

Geoff Drabble
Chief executive
16 June 2010

independent auditors' report to the members of Ashtead Group plc

We have audited the financial statements of Ashtead Group plc for the year ended 30 April 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated Statement of Changes in Equity and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 April 2010 and of the Group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

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

Ian Waller (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London
16 June 2010

our financial statements 2010

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consolidated income statement

For the year ended 30 April 2010

	Notes	2010 Before exceptionals, amortisation and remeasurements £m	2010 Exceptionals, amortisation and remeasurements £m	2010 Total £m	2009 Before exceptional items and amortisation £m	2009 Exceptional items and amortisation £m	2009 Total £m
Continuing operations							
Revenue							
Rental revenue		**769.6**	**–**	**769.6**	974.0	–	974.0
Sale of new equipment, merchandise and consumables		**40.6**	**–**	**40.6**	55.6	–	55.6
Sale of used rental equipment		**26.6**	**1.6**	**28.2**	43.9	50.5	94.4
		836.8	**1.6**	**838.4**	1,073.5	50.5	1,124.0
Operating costs							
Staff costs	3	**(266.3)**	**–**	**(266.3)**	(313.4)	(4.5)	(317.9)
Used rental equipment sold	3	**(24.6)**	**(1.6)**	**(26.2)**	(37.3)	(50.3)	(87.6)
Other operating costs	3	**(290.8)**	**–**	**(290.8)**	(366.7)	(35.0)	(401.7)
		(581.7)	**(1.6)**	**(583.3)**	(717.4)	(89.8)	(807.2)
EBITDA*		**255.1**	**–**	**255.1**	356.1	(39.3)	316.8
Depreciation	3	**(186.6)**	**–**	**(186.6)**	(201.1)	(43.9)	(245.0)
Amortisation	3	**–**	**(2.5)**	**(2.5)**	–	(3.4)	(3.4)
Operating profit	2, 3	**68.5**	**(2.5)**	**66.0**	155.0	(86.6)	68.4
Net financing costs	5	**(63.5)**	**2.3**	**(61.2)**	(67.6)	–	(67.6)
Profit on ordinary activities before taxation		**5.0**	**(0.2)**	**4.8**	87.4	(86.6)	0.8
Taxation							
– current	6	**(2.2)**	**–**	**(2.2)**	(2.7)	2.6	(0.1)
– deferred	6, 18	**(1.7)**	**0.2**	**(1.5)**	(26.9)	28.2	1.3
		(3.9)	**0.2**	**(3.7)**	(29.6)	30.8	1.2
Profit from continuing operations		**1.1**	**–**	**1.1**	57.8	(55.8)	2.0
Profit from discontinued operations		**–**	**1.0**	**1.0**	2.0	59.0	61.0
Profit attributable to equity holders of the Company		**1.1**	**1.0**	**2.1**	59.8	3.2	63.0
Continuing operations							
Basic earnings per share	8	**0.2p**	**–**	**0.2p**	11.5p	(11.1p)	0.4p
Diluted earnings per share	8	**0.2p**	**–**	**0.2p**	11.4p	(11.0p)	0.4p
Total continuing and discontinued operations							
Basic earnings per share	8	**0.2p**	**0.2p**	**0.4p**	11.9p	0.6p	12.5p
Diluted earnings per share	8	**0.2p**	**0.2p**	**0.4p**	11.8p	0.7p	12.5p

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

consolidated statement of comprehensive income

For the year ended 30 April 2010

	2010 £m	2009 £m
Profit attributable to equity holders of the Company for the financial year	**2.1**	63.0
Foreign currency translation differences	**(9.0)**	59.8
Actuarial loss on defined benefit pension scheme	**(9.2)**	(7.4)
Tax on foreign currency translation differences	**–**	(3.7)
Tax on defined benefit pension scheme	**2.6**	2.0
Tax on share-based payments	**0.1**	0.4
Total comprehensive income for the year	**(13.4)**	114.1

consolidated balance sheet

At 30 April 2010

	Notes	2010 £m	2009 £m
Current assets			
Inventories	9	**9.9**	10.4
Trade and other receivables	10	**134.7**	148.3
Current tax asset		**1.1**	1.5
Cash and cash equivalents	11	**54.8**	1.7
		200.5	161.9
Assets held for sale		**–**	1.6
		200.5	163.5
Non-current assets			
Property, plant and equipment			
– rental equipment	12	**969.7**	1,140.5
– other assets	12	**131.9**	153.5
		1,101.6	1,294.0
Intangible assets – brand names and other acquired intangibles	13	**3.3**	5.9
Goodwill	13	**373.6**	385.4
Deferred tax asset	18	**7.8**	12.3
Other financial assets – derivatives	23	**5.7**	–
Defined benefit pension fund surplus	22	**–**	0.3
		1,492.0	1,697.9
Total assets		**1,692.5**	1,861.4
Current liabilities			
Trade and other payables	14	**130.6**	106.7
Current tax liability		**2.1**	–
Debt due within one year	15	**3.1**	6.9
Provisions	17	**12.0**	17.4
		147.8	131.0
Non-current liabilities			
Debt due after more than one year	15	**880.7**	1,030.7
Provisions	17	**29.4**	36.8
Deferred tax liabilities	18	**126.6**	136.9
Defined benefit pension fund deficit	22	**7.7**	–
		1,044.4	1,204.4
Total liabilities		**1,192.2**	1,335.4
Equity			
Share capital	19	**55.3**	55.3
Share premium account		**3.6**	3.6
Capital redemption reserve		**0.9**	0.9
Non-distributable reserve		**90.7**	90.7
Own shares held by the Company		**(33.1)**	(33.1)
Own shares held through the ESOT		**(6.3)**	(6.3)
Cumulative foreign exchange translation differences		**20.1**	29.1
Retained reserves		**369.1**	385.8
Equity attributable to equity holders of the Company		**500.3**	526.0
Total liabilities and equity		**1,692.5**	1,861.4

These financial statements were approved by the Board on 16 June 2010.

Geoff Drabble
Chief executive

Ian Robson
Finance director

consolidated statement of changes in equity

For the year ended 30 April 2010

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non-distributable reserve £m	Treasury stock £m	Own shares held by ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
At 1 May 2008	56.2	3.6	–	90.7	(23.3)	(7.0)	(28.2)	348.3	440.3
Total comprehensive income for the year	–	–	–	–	–	–	56.1	58.0	114.1
Shares issued	–	–	–	–	0.5	–	–	(0.3)	0.2
Dividends paid	–	–	–	–	–	–	–	(12.9)	(12.9)
Share-based payments	–	–	–	–	–	–	–	(0.8)	(0.8)
Vesting of share awards	–	–	–	–	–	1.1	–	(1.1)	–
Own shares purchased	–	–	–	–	(15.7)	(0.4)	–	–	(16.1)
Cancellation of shares held by the Company	(0.9)	–	0.9	–	5.4	–	–	(5.4)	–
Realisation of foreign exchange translation differences	–	–	–	–	–	–	1.2	–	1.2
At 30 April 2009	55.3	3.6	0.9	90.7	(33.1)	(6.3)	29.1	385.8	526.0
Total comprehensive income for the year	–	–	–	–	–	–	(9.0)	(4.4)	(13.4)
Dividends paid	–	–	–	–	–	–	–	(12.8)	(12.8)
Share-based payments	–	–	–	–	–	–	–	0.5	0.5
At 30 April 2010	**55.3**	**3.6**	**0.9**	**90.7**	**(33.1)**	**(6.3)**	**20.1**	**369.1**	**500.3**

consolidated cash flow statement

For the year ended 30 April 2010

	Notes	2010 £m	2009 £m
Cash flows from operating activities			
Cash generated from operations before exceptional items and changes in rental fleet	24(a)	**265.6**	373.6
Exceptional costs paid		**(8.2)**	(9.4)
Payments for rental property, plant and equipment		**(36.1)**	(208.5)
Proceeds from disposal of rental property, plant and equipment before exceptional disposals		**25.2**	39.2
Exceptional proceeds from disposal of rental property, plant and equipment		**1.6**	46.1
Cash generated from operations		**248.1**	241.0
Financing costs paid (net)		**(54.7)**	(64.7)
Tax received (net)		**0.3**	0.8
Net cash from operating activities		**193.7**	177.1
Cash flows from investing activities			
Acquisition of businesses	24(d)	**(0.2)**	(0.3)
Disposal of business (costs)/proceeds		**(0.5)**	89.3
Payments for non-rental property, plant and equipment		**(6.7)**	(27.1)
Proceeds from disposal of non-rental property, plant and equipment		**4.0**	6.6
Net cash (used in)/from investing activities		**(3.4)**	68.5
Cash flows from financing activities			
Drawdown of loans		**290.7**	147.8
Redemption of loans		**(410.8)**	(353.4)
Capital element of finance lease payments		**(4.3)**	(11.6)
Purchase of own shares by the Company		**–**	(15.7)
Purchase of own shares by the ESOT		**–**	(0.4)
Dividends paid		**(12.8)**	(12.9)
Proceeds from issue of ordinary shares		**–**	0.2
Net cash used in financing activities		**(137.2)**	(246.0)
Increase/(decrease) in cash and cash equivalents		**53.1**	(0.4)
Opening cash and cash equivalents		**1.7**	1.8
Effect of exchange rate differences		**–**	0.3
Closing cash and cash equivalents		**54.8**	1.7

notes to the consolidated financial statements

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation

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

During the year, the Group adopted the following interpretations and amendments to standards:

- IAS 1 (revised) Presentation of financial instruments has been adopted and has resulted in the 'Consolidated statement of changes in equity' being presented as a primary statement (previously disclosed as a note titled 'Reconciliation of changes in equity'). In addition, the Group has continued to present a separate 'Income statement' and 'Statement of comprehensive income' (previously titled 'Statement of recognised income and expense'). The adoption of IAS 1 (revised) has had no impact on the consolidated results or financial position of the Group.
- The following new standards, amendments to standards or interpretations are effective for the Group's accounting period beginning on 1 May 2009 and, where relevant, have been adopted. They have not had a material impact on the consolidated results or financial position of the Group:
  - IFRS 1 (revised) First time adoption of IFRS;
  - IFRS 3 (revised) Business combinations;
  - Amendments to IFRS 2 Group cash-settled share-based payment transactions;
  - Amendment to IFRS 7 Improving disclosures about financial instruments;
  - Amendments to IAS 27 Consolidated and separate financial statements;
  - Amendment to IAS 32 Financial instruments: presentation: classification of rights issues;
  - Amendment to IAS 39 Reclassification of financial assets: effective date and transition;
  - Amendment to IAS 39 Financial instruments: recognition and measurement: eligible hedged items;
  - Amendment to IFRIC 9 and IAS 39 Embedded derivatives;
  - IFRIC 15 Agreements for the construction of real estate;
  - IFRIC 16 Hedges of a net investment in a foreign operation;
  - IFRIC 17 Distributions of non-cash assets to owners;
  - IFRIC 18 Transfers of assets from customers;
  - Improvements to IFRS (April 2009).

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. A more detailed discussion of the principal accounting policies and management estimates and assumptions is included in the Business and Financial Review on page 31 and forms part of these financial statements. Actual results could differ from these estimates.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and all its subsidiaries for the year to 30 April each year. The results of businesses acquired or sold during the year are incorporated for the periods from or to the date on which control passed and acquisitions are accounted for under the acquisition method. Control is achieved when the Group has the power to govern the financial and operating policies of an entity so as to obtain the benefits from its activities.

Foreign currency translation

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

	2010	2009
Average for year	**1.60**	1.68
Year end	**1.53**	1.48

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

Revenue

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

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

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

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

Current/non-current distinction

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

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

Property, plant and equipment

Owned assets

Property, plant and equipment is stated at cost (including transportation costs from the manufacturer to the initial rental location) less accumulated depreciation and any provisions for impairment. In respect of aerial work

platforms, cost includes rebuild costs when the rebuild extends the asset's useful economic life and it is probable that incremental economic benefits will accrue to the Group. Rebuild costs include the cost of transporting the equipment to and from the rebuild supplier. Additionally, depreciation is not charged while the asset is not in use during the rebuild period.

Leased assets

Finance leases are those leases which transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are capitalised within property, plant and equipment at the fair value of the leased assets at inception of the lease and depreciated in accordance with the Group's depreciation policy. Outstanding finance lease obligations are included within debt. The finance element of the agreements is charged to the income statement on a systematic basis over the term of the lease.

All other leases are operating leases, the rentals on which are charged to the income statement on a straight-line basis over the lease term.

Depreciation

Leasehold properties are depreciated on a straight-line basis over the life of each lease. Other fixed assets, including those held under finance leases, are depreciated on a straight-line basis applied to the opening cost to write down each asset to its residual value over its useful economic life. The rates in use are as follows:

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

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

Repairs and maintenance

Costs incurred in the repair and maintenance of rental and other equipment are charged to the income statement as incurred.

Intangible assets

Business combinations and goodwill

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

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

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

Other intangible assets

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

	Per annum
Brand names	8.3%
Customer lists	10% to 20%

Impairment of assets

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

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

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

Taxation

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

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

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

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

Inventories

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

Employee benefits

Defined contribution pension plans

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

1 Accounting policies continued

Defined benefit pension plans

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

Actuarial gains and losses are recognised in full in the period in which they arise through the statement of recognised income and expense. The increase in the present value of plan liabilities arising from employee service during the period is charged to operating profit. The expected return on plan assets and the expected increase during the period in the present value of plan liabilities due to unwind of the discount are included in investment income and interest expense, respectively.

The defined pension surplus or deficit represents the fair value of the scheme assets less the present value of the defined benefit obligation. A surplus is recognised in the balance sheet to the extent that the Group has an unconditional right to the surplus, either through a refund or reduction in future contributions. A deficit is recognised in full.

Share-based compensation

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

Insurance

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

Investment income and interest expense

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

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

Financial instruments

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

Financial assets

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

Equity instruments

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

Trade payables

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

Borrowings

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

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

Derivative financial instruments

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

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

Secured notes

The Group's secured notes contain early prepayment options, which constitute embedded derivatives in accordance with IAS 39, Financial Instruments: Recognition and Measurement. At the date of issue the liability component of the notes is estimated using prevailing market interest rates for similar debt with no prepayment option and is recorded within borrowings, net of direct transaction costs. The difference between the proceeds of the note issue and the fair value assigned to the liability component, representing the embedded option to prepay the notes is included within 'Other financial assets – derivatives'. The interest expense on the liability component is calculated by applying the effective interest rate method. The embedded option to prepay is fair valued using an appropriate valuation model and fair value remeasurement gains and losses are included in investment income and interest expense respectively.

Exceptional items

Exceptional items are those items that are material and non-recurring in nature that the Group believes should be disclosed separately to assist in the understanding of the financial performance of the Group.

Earnings per share

Earnings per share is calculated based on the profit for the financial year and the weighted average number of ordinary shares in issue during the year. For this purpose the number of ordinary shares in issue excludes shares held in treasury or by the ESOT in respect of which dividends have been waived. Diluted earnings per share is calculated using the profit for the financial year and the weighted average diluted number of shares

(ignoring any potential issue of ordinary shares which would be anti-dilutive) during the year.

Underlying earnings per share comprises basic earnings per share adjusted to exclude earnings relating to exceptional items, amortisation of acquired intangibles and fair value remeasurements of embedded derivatives in long-term debt. Cash tax earnings per share comprises underlying earnings per share adjusted to exclude deferred taxation.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Employee Share Ownership Trust
Shares in the Company acquired by the Employee Share Ownership Trust in the open market for use in connection with employee share plans are presented as a deduction from shareholders' funds. When the shares vest to satisfy share-based payments, a transfer is made from own shares held through the ESOT to retained earnings.

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

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

2 Segmental analysis

Business segments
The Group operates one class of business: rental of equipment. Operationally, the Group is split into two business units, Sunbelt and A-Plant which separately report to, and are managed by, the chief executive and align with the geographies in which they operate, being the US and UK, respectively. The Group also owned Ashtead Technology, which was sold in the prior year and therefore classified as a disposal group. These business units are the basis on which the Group reports its segment information. The Group manages debt and taxation centrally, rather than by business unit. Accordingly, segmental results are stated before interest and taxation which are reported as central Group items. This is consistent with the way the chief executive reviews the business.

Year ended 30 April 2010	Sunbelt £m	A-Plant £m	Corporate items £m	Continuing operations £m	Discontinued operations £m	Group £m
Revenue	674.5	162.3	–	836.8	–	836.8
Operating costs	(455.5)	(120.3)	(5.9)	(581.7)	–	(581.7)
EBITDA	219.0	42.0	(5.9)	255.1	–	255.1
Depreciation	(146.3)	(40.2)	(0.1)	(186.6)	–	(186.6)
Segment result before exceptional items and amortisation	72.7	1.8	(6.0)	68.5	–	68.5
Exceptional items	–	–	–	–	1.0	1.0
Amortisation	(1.9)	(0.6)	–	(2.5)	–	(2.5)
Segment result	70.8	1.2	(6.0)	66.0	1.0	67.0
Net financing costs				(61.2)	–	(61.2)
Profit before taxation				4.8	1.0	5.8
Taxation				(3.7)	–	(3.7)
Profit attributable to equity shareholders				1.1	1.0	2.1
Segment assets	1,332.0	290.9	0.2	1,623.1	–	1,623.1
Cash				54.8	–	54.8
Taxation assets				8.9	–	8.9
Other financial assets – derivatives				5.7	–	5.7
Total assets				1,692.5	–	1,692.5
Segment liabilities	119.6	44.5	1.7	165.8	–	165.8
Corporate borrowings and accrued interest				897.7	–	897.7
Taxation liabilities				128.7	–	128.7
Total liabilities				1,192.2	–	1,192.2
Other non-cash expenditure – share-based payments	0.2	0.1	0.2	0.5	–	0.5
Capital expenditure	48.3	15.3	–	63.6	–	63.6

2 Segmental analysis continued

Year ended 30 April 2009	Sunbelt £m	A-Plant £m	Corporate items £m	Continuing operations £m	Discontinued operations £m	Group £m
Revenue	865.5	208.0	–	1,073.5	5.1	1,078.6
Operating costs	(566.8)	(145.2)	(5.4)	(717.4)	(2.3)	(719.7)
EBITDA	298.7	62.8	(5.4)	356.1	2.8	358.9
Depreciation	(154.3)	(46.7)	(0.1)	(201.1)	–	(201.1)
Segment result before exceptional items and amortisation	144.4	16.1	(5.5)	155.0	2.8	157.8
Exceptional items	(51.9)	(31.3)	–	(83.2)	66.1	(17.1)
Amortisation	(2.9)	(0.5)	–	(3.4)	–	(3.4)
Segment result	89.6	(15.7)	(5.5)	68.4	68.9	137.3
Net financing costs				(67.6)	–	(67.6)
Profit before taxation				0.8	68.9	69.7
Taxation				1.2	(7.9)	(6.7)
Profit attributable to equity shareholders				2.0	61.0	63.0
Segment assets	1,514.7	331.0	0.2	1,845.9	–	1,845.9
Cash				1.7	–	1.7
Taxation assets				13.8	–	13.8
Total assets				1,861.4	–	1,861.4
Segment liabilities	113.3	34.5	2.2	150.0	–	150.0
Corporate borrowings and accrued interest				1,048.5	–	1,048.5
Deferred taxation liabilities				136.9	–	136.9
Total liabilities				1,335.4	–	1,335.4
Other non-cash expenditure – share-based payments	(0.4)	(0.1)	(0.3)	(0.8)	–	(0.8)
Capital expenditure	166.1	72.5	–	238.6	–	238.6

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

Segmental analysis by geography

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

	Revenue		Segment assets		Capital expenditure	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
North America	**674.5**	867.7	**1,222.1**	1,394.0	**48.3**	166.1
United Kingdom	**162.3**	209.9	**256.4**	292.1	**15.3**	72.5
Rest of World	**–**	1.0	**–**	–	**–**	–
	836.8	1,078.6	**1,478.5**	1,686.1	**63.6**	238.6

3 Operating costs and other income

	2010			2009		
	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m
Staff costs:						
Salaries	**244.7**	**–**	**244.7**	284.6	4.5	289.1
Social security costs	**20.2**	**–**	**20.2**	23.0	–	23.0
Other pension costs	**1.4**	**–**	**1.4**	5.8	–	5.8
	266.3	**–**	**266.3**	313.4	4.5	317.9
Used rental equipment sold	**24.6**	**1.6**	**26.2**	37.3	50.3	87.6
Other operating costs:						
Vehicle costs	**66.2**	**–**	**66.2**	84.0	0.5	84.5
Spares, consumables and external repairs	**48.9**	**–**	**48.9**	61.9	1.9	63.8
Facility costs	**44.9**	**–**	**44.9**	47.3	25.3	72.6
Other external charges	**130.8**	**–**	**130.8**	173.5	7.3	180.8
	290.8	**–**	**290.8**	366.7	35.0	401.7
Depreciation and amortisation:						
Depreciation of owned assets	**184.9**	**–**	**184.9**	197.5	40.6	238.1
Depreciation of leased assets	**1.7**	**–**	**1.7**	3.6	3.3	6.9
Amortisation of acquired intangibles	**–**	**2.5**	**2.5**	–	3.4	3.4
	186.6	**2.5**	**189.1**	201.1	47.3	248.4
	768.3	**4.1**	**772.4**	918.5	137.1	1,055.6

Proceeds from the disposal of non-rental property, plant and equipment amounted to £4.0m (2009: £5.9m) from continuing operations.

The costs shown in the above table include:

	2010			2009		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Operating lease rentals payable:						
Plant and equipment	**1.7**	**–**	**1.7**	3.3	–	3.3
Property	**33.9**	**–**	**33.9**	34.1	24.0	58.1
Cost of inventories recognised as expense	**37.6**	**–**	**37.6**	55.8	6.0	61.8
Bad debt expense	**9.7**	**–**	**9.7**	17.0	–	17.0
Net foreign exchange losses	**0.1**	**–**	**0.1**	–	–	–

notes to the consolidated financial statements continued

3 Operating costs and other income continued

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

	2010 £'000	2009 £'000
Audit services		
Fees payable to Deloitte UK		
– Group audit	**291**	343
– UK statutory audits of subsidiaries	**13**	14
Fees payable to other Deloitte firms		
– overseas subsidiary audits	**303**	292
	607	649
Other services		
Fees payable to Deloitte UK		
– half year review	**47**	73
– other assurance services	**10**	20
– other non-audit services	**–**	135
Fees payable to other Deloitte firms		
– half year review	**14**	48
– tax services	**44**	–
	722	925

4 Exceptional items, amortisation and fair value remeasurements

	2010 £m	2009 £m
US cost reduction programme	**–**	(52.2)
UK cost reduction programme	**–**	(31.7)
Profit on sale of property from closed sites	**–**	0.7
Write-off of deferred financing costs	**(3.2)**	–
Fair value remeasurements of embedded derivatives	**5.5**	–
Sale of Ashtead Technology	**1.0**	66.1
Total exceptional items before taxation	**3.3**	(17.1)
Taxation on exceptional items	**(0.7)**	22.4
Total exceptional items	**2.6**	5.3
Amortisation of acquired intangibles (net of tax credit of £0.9m)	**(1.6)**	(2.1)
	1.0	3.2

The write-off of deferred financing costs consists of the unamortised balance of costs related to the 2006 ABL facility refinanced in November 2009. Fair value remeasurements relate to the changes in the fair value of the embedded prepayment options in our second priority senior secured notes. The income from the sale of Ashtead Technology relates to the release of a provision, established at the time of the disposal, against potential warranty claims.

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

	2010 £m	2009 £m
Sale of used rental equipment	**1.6**	50.5
Staff costs	**–**	(4.5)
Used rental equipment sold	**(1.6)**	(50.3)
Other operating costs	**–**	(35.0)
Depreciation	**–**	(43.9)
Amortisation	**(2.5)**	(3.4)
Charged in arriving at operating profit	**(2.5)**	(86.6)
Net financing income	**2.3**	–
Charged in arriving at profit before tax	**(0.2)**	(86.6)
Taxation	**0.2**	30.8
	–	(55.8)
Profit after taxation from discontinued operations	**1.0**	59.0
	1.0	3.2

5 Net financing costs

	2010 £m	2009 £m
Investment income		
Expected return on assets of defined benefit pension plan	**(3.2)**	(4.1)
Interest expense		
Bank interest payable	**13.4**	21.6
Interest payable on second priority senior secured notes	**44.4**	42.4
Interest payable on finance leases	**0.3**	0.7
Non-cash unwind of discount on defined pension plan liabilities	**3.0**	3.1
Non-cash unwind of discount on insurance provisions	**1.5**	1.1
Amortisation of deferred costs of debt raising	**4.1**	2.8
Total interest expense	**66.7**	71.7
Net financing costs before exceptional items	**63.5**	67.6
Exceptional items	**3.2**	–
Fair value remeasurements	**(5.5)**	–
Net financing costs	**61.2**	67.6

6 Taxation

	2010 £m	2009 £m
Analysis of charge/(credit) in period		
Current tax		
– current tax on income for the year	**3.9**	0.1
– adjustments to prior year	**(1.7)**	–
	2.2	0.1
Deferred tax		
– origination and reversal of temporary differences	**(2.3)**	(1.3)
– adjustments to prior year	**3.8**	–
	1.5	(1.3)
Total taxation	**3.7**	(1.2)
Comprising:		
– UK tax	**10.2**	4.5
– overseas taxation	**(6.5)**	(5.7)
	3.7	(1.2)

The tax charge on continuing activities comprises a charge of £3.9m (2009: £29.6m) relating to tax on the profit before exceptional items, amortisation and fair value remeasurements, together with a net credit of £0.2m (2009: £30.8m) comprising a tax credit of £0.9m (2009: £1.3m) on the amortisation expense and a tax charge of £0.7m on exceptional items and fair value remeasurements.

The tax charge for the period is higher than the standard rate of corporation tax in the UK of 28% for the year. The differences are explained below:

	2010 £m	2009 £m
Profit on ordinary activities before tax	**4.8**	0.8
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 28% (2009: 28%)	**1.3**	0.2
Effects of:		
Use of foreign tax rates on overseas income	**(0.8)**	(2.5)
Other	**1.1**	1.1
Adjustments to prior year	**2.1**	–
Total taxation charge/(credit)	**3.7**	(1.2)

7 Dividends

	2010 £m	2009 £m
Final dividend paid on 11 September 2009 of 1.675p (2009: 1.675p) per 10p ordinary share	**8.3**	8.4
Interim dividend paid on 3 February 2010 of 0.9p (2009: 0.9p) per 10p ordinary share	**4.5**	4.5
	12.8	12.9

In addition, the directors are proposing a final dividend in respect of the financial year ended 30 April 2010 of 2.0p per share which will absorb £10.0m of shareholders' funds based on the 497.7m shares ranking for dividend at 16 June 2010. Subject to approval by shareholders, it will be paid on 10 September 2010 to shareholders who are on the register of members on 20 August 2010.

8 Earnings per share

			2010			2009
	Earnings £m	**Weighted average no. of shares million**	**Per share amount pence**	Earnings £m	Weighted average no. of shares million	Per share amount pence
Continuing operations						
Basic earnings per share	**1.1**	**497.6**	**0.2**	2.0	504.5	0.4
Share options and share plan awards	**–**	**3.8**	**–**	–	0.2	–
Diluted earnings per share	**1.1**	**501.4**	**0.2**	2.0	504.7	0.4
Discontinued operations						
Basic earnings per share	**1.0**	**497.6**	**0.2**	61.0	504.5	12.1
Share options and share plan awards	**–**	**3.8**	**–**	–	0.2	–
Diluted earnings per share	**1.0**	**501.4**	**0.2**	61.0	504.7	12.1
Total group						
Basic earnings per share	**2.1**	**497.6**	**0.4**	63.0	504.5	12.5
Share options and share plan awards	**–**	**3.8**	**–**	–	0.2	–
Diluted earnings per share	**2.1**	**501.4**	**0.4**	63.0	504.7	12.5

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

	2010 pence	2009 pence
Total group		
Basic earnings per share	**0.4**	12.5
Exceptional items and amortisation of acquired intangibles	**(0.2)**	4.1
Tax on exceptional items and amortisation	**–**	(4.7)
Underlying earnings per share	**0.2**	11.9
Other deferred tax	**0.4**	5.4
Cash tax earnings per share	**0.6**	17.3

9 Inventories

	2010 £m	2009 £m
Raw materials, consumables and spares	**5.7**	4.2
Goods for resale	**4.2**	6.2
	9.9	10.4

10 Trade and other receivables

	2010 £m	2009 £m
Trade receivables	**129.8**	141.6
Less: allowance for bad and doubtful receivables	**(15.6)**	(17.6)
	114.2	124.0
Other receivables	**20.5**	24.3
	134.7	148.3

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

a) Trade receivables: credit risk

The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 23. The credit periods offered to customers vary according to the credit risk profiles of, and the invoicing conventions established in, the Group's markets. The contractual terms on invoices issued to customers vary between the US and the UK in that, invoices issued by A-Plant are payable within 30–60 days whereas, invoices issued by Sunbelt are payable on receipt. Therefore, on this basis, a significant proportion of the Group's trade receivables are contractually past due. The allowance account for bad and doubtful receivables is calculated based on prior experience reflecting the level of uncollected receivables over the last year within each business. Accordingly, this cannot be attributed to specific receivables so the aged analysis of trade receivables, including those past due, is shown gross of the allowance for bad and doubtful receivables.

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

		Trade receivables past due by:				
	Current £m	Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	Total £m
Carrying value at 30 April 2010	17.8	63.0	26.7	7.8	14.5	129.8
Carrying value at 30 April 2009	27.8	55.7	28.4	8.1	21.6	141.6

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

		Trade receivables past due by:				
	Current £m	Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	Total £m
Carrying value at 30 April 2010	69.4	35.1	9.3	4.3	11.7	129.8
Carrying value at 30 April 2009	80.1	28.0	10.8	5.0	17.7	141.6

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

	2010 £m	2009 £m
At 1 May	**17.6**	12.6
Amounts written off and recovered during the year	**(11.3)**	(14.7)
Increase in allowance recognised in income statement	**9.7**	17.0
Currency movements	**(0.4)**	2.7
At 30 April	**15.6**	17.6

11 Cash and cash equivalents

	2010 £m	2009 £m
Cash and cash equivalents	**54.8**	1.7

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

12 Property, plant and equipment

	Land and buildings £m	Rental equipment Owned £m	Rental equipment Held under finance leases £m	Office and workshop equipment £m	Motor vehicles Owned £m	Motor vehicles Held under finance leases £m	Total £m
Cost or valuation							
At 1 May 2008	77.3	1,528.1	0.3	48.0	85.0	32.6	1,771.3
Exchange difference	12.6	393.1	0.1	11.1	22.8	8.4	448.1
Acquisitions	–	0.1	–	–	–	–	0.1
Reclassifications	–	(1.4)	(0.1)	1.4	22.0	(22.2)	(0.3)
Additions	7.2	207.5	–	2.2	19.7	1.7	238.3
Disposals	(9.9)	(150.4)	–	(11.1)	(19.8)	(3.5)	(194.7)
Transfer to assets held for sale	(0.4)	(179.1)	–	(6.4)	(12.8)	–	(198.7)
At 30 April 2009	86.8	1,797.9	0.3	45.2	116.9	17.0	2,064.1
Exchange difference	(1.6)	(46.1)	–	(1.1)	(3.4)	(0.4)	(52.6)
Acquisitions	–	0.1	–	–	–	–	0.1
Reclassifications	0.4	(19.8)	(0.1)	7.1	16.8	(4.4)	–
Additions	3.5	55.6	–	0.6	3.5	0.2	63.4
Disposals	(4.5)	(86.6)	–	(6.8)	(7.1)	(3.0)	(108.0)
At 30 April 2010	**84.6**	**1,701.1**	**0.2**	**45.0**	**126.7**	**9.4**	**1,967.0**
Depreciation							
At 1 May 2008	24.1	534.3	0.1	37.1	29.5	16.1	641.2
Exchange difference	2.2	159.7	–	9.3	9.9	4.1	185.2
Reclassifications	–	(0.8)	–	0.8	11.3	(11.6)	(0.3)
Charge for the period	10.2	210.8	–	5.4	15.0	3.6	245.0
Disposals	(8.7)	(106.8)	–	(10.6)	(15.1)	(2.9)	(144.1)
Transfer to assets held for sale	(0.4)	(139.6)	–	(6.4)	(10.5)	–	(156.9)
At 30 April 2009	27.4	657.6	0.1	35.6	40.1	9.3	770.1
Exchange difference	(0.3)	(11.1)	–	(0.9)	(0.8)	(0.2)	(13.3)
Reclassifications	0.4	(16.2)	–	6.6	12.2	(2.9)	0.1
Charge for the period	3.8	162.7	–	3.9	14.5	1.7	186.6
Disposals	(2.4)	(61.5)	–	(6.6)	(5.4)	(2.2)	(78.1)
At 30 April 2010	**28.9**	**731.5**	**0.1**	**38.6**	**60.6**	**5.7**	**865.4**
Net book value							
At 30 April 2010	**55.7**	**969.6**	**0.1**	**6.4**	**66.1**	**3.7**	**1,101.6**
At 30 April 2009	59.4	1,140.3	0.2	9.6	76.8	7.7	1,294.0

The amount of rebuild costs capitalised in the year was £nil (2009: £1.9m).

13 Intangible assets including goodwill

	Goodwill £m	Other intangible assets Brand names £m	Customer lists £m	Contract related £m	Total £m	Total £m
Cost or valuation						
At 1 May 2008	291.9	10.7	1.7	9.2	21.6	313.5
Recognised on acquisition	–	–	–	0.2	0.2	0.2
Disposals	–	–	–	(1.4)	(1.4)	(1.4)
Exchange differences	93.5	3.0	–	2.8	5.8	99.3
At 30 April 2009	385.4	13.7	1.7	10.8	26.2	411.6
Recognised on acquisition	–	–	–	0.1	0.1	0.1
Exchange differences	(11.8)	(0.4)	–	(0.3)	(0.7)	(12.5)
At 30 April 2010	**373.6**	**13.3**	**1.7**	**10.6**	**25.6**	**399.2**
Amortisation						
At 1 May 2008	–	9.5	0.3	3.8	13.6	13.6
Charge for the period	–	0.1	0.3	3.0	3.4	3.4
Disposals	–	–	–	(1.4)	(1.4)	(1.4)
Exchange differences	–	3.0	–	1.7	4.7	4.7
At 30 April 2009	–	12.6	0.6	7.1	20.3	20.3
Charge for the period	–	0.1	0.2	2.2	2.5	2.5
Exchange differences	–	(0.4)	–	(0.1)	(0.5)	(0.5)
At 30 April 2010	**–**	**12.3**	**0.8**	**9.2**	**22.3**	**22.3**
Net book value						
At 30 April 2010	**373.6**	**1.0**	**0.9**	**1.4**	**3.3**	**376.9**
At 30 April 2009	385.4	1.1	1.1	3.7	5.9	391.3

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

	2010 £m	2009 £m
Sunbelt	**359.3**	371.1
A-Plant	**14.3**	14.3
	373.6	385.4

For the purposes of determining potential goodwill impairment, recoverable amounts are determined from value in use calculations using cash flow projections based on financial plans covering a three year period which were adopted and approved by the Board in April 2010. The growth rate assumptions used in the plans reflect management's expectations of market developments and take account of past performance. The annual growth rate used to determine the cash flows beyond the three year period is 2% and does not exceed the average long-term growth rates for the relevant markets. The pre-tax rate used to discount the projected cash flows is 9%.

A sensitivity analysis has been undertaken by changing the key assumptions used for both Sunbelt and A-Plant. Based on this sensitivity analysis, no reasonably possible change in the assumptions resulted in the carrying value of the goodwill in Sunbelt or A-Plant being reduced to the recoverable amount.

14 Trade and other payables

	2010 £m	2009 £m
Trade payables	**48.7**	25.6
Other taxes and social security	**12.6**	14.0
Accruals and deferred income	**69.3**	67.1
	130.6	106.7

Trade and other payables include amounts relating to the purchase of fixed assets of £27.6m (2009: £9.4m). The fair values of trade and other payables are not materially different from the carrying values presented.

15 Borrowings

	2010 £m	2009 £m
Current		
First priority senior secured bank debt	–	1.7
Finance lease obligations	**3.1**	5.2
	3.1	6.9
Non-current		
First priority senior secured bank debt	**367.5**	499.4
Finance lease obligations	**0.4**	2.7
8.625% second priority senior secured notes, due 2015	**160.2**	165.1
9% second priority senior secured notes, due 2016	**352.6**	363.5
	880.7	1,030.7

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

First priority senior secured credit facility

During the year, the $1.84bn first priority asset based senior secured loan facility ('ABL facility') was amended and now consists of a $1,313m revolving credit facility committed until November 2013 and a further $529m available on the original terms until August 2011 consisting of a $303m revolving credit facility and a $226m term loan. The ABL facility is secured by a first priority interest in substantially all of the Group's assets. Pricing for the revolver loan is based on the ratio of funded debt to EBITDA before exceptional items according to a grid which varies, depending on leverage, from LIBOR plus 300bp to LIBOR plus 375bp for the extended tranche and LIBOR plus 150bp to LIBOR plus 225bp for the non-extended tranche. At 30 April 2010 the Group's borrowing rate was LIBOR plus 350bp on the extended facility and LIBOR plus 200bp on the non-extended facility. The term loan is priced at LIBOR plus 175bp.

The ABL facility carries minimal amortisation of $2.5m per annum on the term loan which will be met out of drawings from the committed revolver facility. The ABL facility includes a springing covenant package under which quarterly financial performance covenants are tested only if available liquidity is less than $150m. Available liquidity at 30 April 2010 was £351m ($537m) reflecting drawings under the facility at that date together with outstanding letters of credit of £19m ($29m). As the ABL facility is asset-based, the maximum amount available to be borrowed (which includes drawings in the form of standby letters of credit) depends on asset values (receivables, inventory, rental equipment and real estate) which are subject to periodic independent appraisal. The maximum amount which could be drawn at 30 April 2010 was £704m ($1,078m).

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

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

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

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

Under the terms of both the 8.625% and 9% notes the Group is, subject to important exceptions, restricted in its ability to incur additional debt, pay dividends, make investments, sell assets, enter into sale and leaseback transactions and merge or consolidate with another company.

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

		2010	2009
First priority senior secured bank debt	– revolving advances in dollars (extended tranche)	**3.81%**	2.19%
	– revolving advances in dollars (non-extended tranche)	**2.31%**	2.19%
	– term loan advances in dollars	**2.06%**	2.25%
	– revolving advances in pounds sterling	–	2.7%
Secured notes	– $250m nominal value	**8.625%**	8.625%
	– $550m nominal value	**9.0%**	9.0%
Finance leases		**7.0%**	7.0%

16 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Amounts payable under finance leases:				
Less than one year	**3.2**	5.5	**3.1**	5.2
Later than one year but not more than five	**0.4**	2.9	**0.4**	2.7
	3.6	8.4	**3.5**	7.9
Future finance charges	**(0.1)**	(0.5)		
	3.5	7.9		

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

17 Provisions

	Self-insurance £m	Vacant property £m	Total £m
At 1 May 2009	27.3	26.9	54.2
Exchange differences	(1.0)	(0.6)	(1.6)
Utilised	(15.1)	(8.0)	(23.1)
Charged in the year	9.5	0.9	10.4
Amortisation of discount	1.5	–	1.5
At 30 April 2010	**22.2**	**19.2**	**41.4**

	2010 £m	2009 £m
Included in current liabilities	**12.0**	17.4
Included in non-current liabilities	**29.4**	36.8
	41.4	54.2

Self-insurance provisions relate to the discounted estimated liability in respect of claims excesses to be incurred under the Group's insurance programmes for events occurring up to the year end and are expected to be utilised over a period of approximately eight years. The provision is established based on advice received from independent actuaries of the estimated total cost of the self-insured retained risk based on historical claims experience. The amount charged in the year is stated net of a £4.4m adjustment to reduce the provision held at 1 May 2009.

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

18 Deferred tax

Deferred tax assets

	Tax losses £m	Other temporary differences £m	Total £m
At 1 May 2009	–	12.3	12.3
Offset against deferred tax liability at 1 May 2009	42.5	44.6	87.1
Gross deferred tax assets at 1 May 2009	42.5	56.9	99.4
Exchange differences	(1.2)	(1.5)	(2.7)
Credit/(charge) to income statement	4.9	(8.4)	(3.5)
Credit to equity	–	2.7	2.7
Less offset against deferred tax liability	(46.2)	(41.9)	(88.1)
At 30 April 2010	**–**	**7.8**	**7.8**

Deferred tax liabilities

	Accelerated tax depreciation £m	Other temporary differences £m	Total £m
Net deferred tax liability at 1 May 2009	181.5	(44.6)	136.9
Deferred tax assets offset at 1 May 2009	42.5	44.6	87.1
Gross deferred tax liability at 1 May 2009	224.0	–	224.0
Exchange differences	(7.3)	–	(7.3)
Credit to income statement	(2.0)	–	(2.0)
	214.7	–	214.7
Less offset of deferred tax assets			
– benefit of tax losses			(46.2)
– other temporary differences			(41.9)
At 30 April 2010			**126.6**

The Group has an unrecognised UK deferred tax asset of £1.6m (2009: £1.6m) in respect of losses in a non-trading UK company, as it is not considered probable this deferred tax asset will be utilised.

At the balance sheet date, no temporary differences associated with undistributed earnings of subsidiaries have been recognised. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

19 Called up share capital

	2010 Number	2009 Number	**2010 £m**	2009 £m
Ordinary shares of 10p each				
Authorised	**900,000,000**	900,000,000	**90.0**	90.0
Issued and fully paid:				
At 1 May	**553,325,554**	561,572,726	**55.3**	56.2
Cancellation of shares	**–**	(8,247,172)	**–**	(0.9)
At 30 April	**553,325,554**	553,325,554	**55.3**	55.3

There were no movements in shares authorised or allotted during the period. At 30 April 2010, 50m shares were held by the Company, acquired at an average cost of 67p and a further 5.7m shares were held by the Company's Employee Share Ownership Trust.

20 Share-based payments

The Employee Share Ownership Trust (ESOT) facilitates the provision of shares under certain of the Group's share-based remuneration plans. It holds a beneficial interest in 5,669,844 ordinary shares of the Company acquired at an average cost of 110.2p per share. The shares had a market value of £6.7m at 30 April 2010. The ESOT has waived the right to receive dividends on the shares it holds. The costs of operating the ESOT are borne by the Group but are not significant.

Performance Share Plan

Details of the Performance Share Plan ('PSP') are given on pages 39 and 40. The costs of this scheme are charged to the income statement over the vesting period, based on the fair value of the award at the grant date and the likelihood of allocations vesting under the scheme. In 2010, there was a net charge in respect of the PSP of £0.5m (2009: credit of £0.9m). After deferred tax, the total charge was £0.2m (2009: credit of £0.7m).

The fair value of awards granted during the year is estimated using a Black-Scholes option pricing model with the following assumptions: share price at grant date of 55.5p, nil exercise price, a dividend yield of 4.64%, volatility of 60.0%, a risk free rate of 2.20% and an expected life of three years.

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

Discretionary share option schemes

Details of the discretionary share option schemes are given on page 39. In accordance with the transitional provisions of IFRS 2, Share-based payments, the Group has not recognised any expense for these schemes as they were all granted prior to 7 November 2002.

Save-As-You-Earn (SAYE) schemes

The costs of SAYE schemes are charged to the income statement over the vesting period based upon the fair value of the award at the grant date. In 2010 the charge in respect of SAYE schemes was £31,000 (2009: £0.1m). All SAYE schemes have now expired.

	Discretionary schemes		SAYE		
	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	PSP Number
2008/9					
Outstanding at 1 May 2008	3,592,403	107.0	1,327,033	65.7	5,500,560
Granted	–	–	–	–	7,031,707
Forfeited	–	–	(14,137)	112.4	–
Exercised	(327,384)	38.3	(673,391)	22.4	(786,861)
Expired	(1,328,967)	134.3	(156,121)	94.8	(1,586,055)
Outstanding at 30 April 2009	1,936,052	99.8	483,384	115.3	10,159,351
Exercisable at 30 April 2009	1,936,052	99.8	222,993	107.3	–
2009/10					
Outstanding at 1 May 2009	1,936,052	99.8	483,384	115.3	10,159,351
Granted	–	–	–	–	6,454,947
Forfeited	–	–	(17,749)	122.1	–
Exercised	(303,057)	86.2	–	–	–
Expired	(262,721)	97.6	(465,635)	115.0	(1,764,002)
Outstanding at 30 April 2010	1,370,274	103.3	–	–	14,850,296
Exercisable at 30 April 2010	1,370,274	103.3	–	–	–

Options outstanding at 30 April 2010 under discretionary schemes:

Year of grant	Weighted average exercise price (p)	Number of shares	Latest exercise date
1999/2000	94.6	108,405	08 Aug 10
2000/1	115.3	1,077,400	26 Feb 11
2001/2	38.3	184,469	26 Feb 12
		1,370,274	

The weighted average exercise price during the period for options exercised over the year was 86.2p (2009: 38.3p) for discretionary schemes. No options relating to the SAYE scheme were exercised during the year.

notes to the consolidated financial statements continued

21 Operating leases

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

	2010 £m	2009 £m
Land and buildings:		
Expiring in one year	**4.1**	2.8
Expiring between two and five years	**14.6**	22.0
Expiring in more than five years	**16.8**	17.0
	35.5	41.8
Other:		
Expiring in one year	**0.4**	0.2
Expiring between two and five years	**0.9**	0.9
	1.3	1.1
Total	**36.8**	42.9

Total minimum commitments under existing operating leases at 30 April 2010 through to the end of their respective term by year are as follows:

	Land and buildings £m	Other £m	Total £m
Financial year			
2011	35.5	1.3	36.8
2012	30.9	0.6	31.5
2013	28.2	–	28.2
2014	24.1	–	24.1
2015	19.9	–	19.9
Thereafter	83.5	–	83.5
	222.1	1.9	224.0

£13.0m of the total minimum operating lease commitments of £222.1m relating to vacant properties has been provided within the financial statements and included within provisions in the balance sheet.

22 Pensions

The Group operates pension plans for the benefit of qualifying employees. The major plans for new employees throughout the Group are all defined contribution plans following the introduction of the stakeholder pension plan for UK employees in May 2002. Pension costs for defined contribution plans were £1.0m (2009: £5.1m).

The Group also has a defined benefit plan for UK employees which was closed to new members in 2001. This plan is a funded defined benefit plan with trustee administered assets held separately from those of the Group. A full actuarial valuation was carried out as at 30 April 2007 and updated to 30 April 2010 by a qualified independent actuary. The actuary is engaged by the Company to perform a valuation in accordance with IAS 19. The principal assumptions made by the actuary were as follows:

	2010	2009
Rate of increase in salaries	**4.60%**	4.10%
Rate of increase in pensions in payment	**3.60%**	3.10%
Discount rate	**5.50%**	7.00%
Inflation assumption	**3.60%**	3.10%
Weighted average expected return on plan assets	**6.60%**	7.20%

Pensioner life expectancy assumed in the 30 April 2010 update is based on the S1 'CMI 2009' projection model mortality tables adjusted so as to apply a minimum annual rate of improvement of 1.5% a year. Samples of the ages to which pensioners are assumed to live are as follows:

	Male	Female
Pensioner aged 65 in 2010	87.1	89.5
Pensioner aged 65 in 2030	89.5	91.9

The amounts recognised in the income statement are as follows:

	2010 £m	2009 £m
Current service cost	**0.3**	0.7
Interest cost	**3.0**	3.1
Expected return on plan assets	**(3.2)**	(4.1)
Past service cost	**–**	0.2
Gains on curtailments and settlements	**–**	(0.1)
Total cost/(income)	**0.1**	(0.2)

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

	2010 £m	2009 £m
Fair value of plan assets	**55.9**	44.0
Present value of defined benefit obligation	**(63.6)**	(43.7)
Net (liability)/asset recognised in the balance sheet	**(7.7)**	0.3

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

	2010 £m	2009 £m
At 1 May	**43.7**	49.5
Current service cost	**0.3**	0.7
Interest cost	**3.0**	3.1
National Insurance rebates received	**0.4**	0.2
Contributions from members	**0.3**	0.5
Actuarial loss/(gain)		
– experience gain	**(2.4)**	(0.2)
– change in assumptions	**20.1**	(9.1)
Benefits paid	**(1.8)**	(1.1)
Past service cost	**–**	0.2
Curtailments and settlements	**–**	(0.1)
	63.6	43.7

The actuarial loss in the year ended 30 April 2010 reflects the decrease in the required market discount rate (that for AA rated corporate bonds) in the year from 7.0% to 5.5% which increased the discounted value of accrued defined benefit obligations, partially offset by the adoption of slightly reduced pensioner life expectancy based on the S1 'CMI 2009' projection model mortality tables.

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

	2010 £m	2009 £m
At 1 May	**44.0**	55.3
Expected return on plan assets	**3.2**	4.1
Actual return on plan assets above/(below) expected return	**8.5**	(16.7)
Contributions from sponsoring companies	**1.3**	1.7
National Insurance rebates received	**0.4**	0.2
Contributions from members	**0.3**	0.5
Benefits paid	**(1.8)**	(1.1)
	55.9	44.0

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

	Expected return		Fair value	
	2010 %	2009 %	2010 £m	2009 £m
Equity instruments	**7.5**	8.0	**32.6**	24.2
Bonds	**5.0**	5.8	**18.7**	15.8
Property	**7.5**	8.0	**4.4**	3.9
Cash	**–**	–	**0.2**	0.1
	6.6	7.2	**55.9**	44.0

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

22 Pensions continued

The history of experience adjustments is as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of scheme assets	**55.9**	44.0	55.3	57.6	52.2
Present value of defined benefit obligations	**(63.6)**	(43.7)	(49.5)	(52.4)	(50.5)
(Deficit)/surplus in the scheme	**(7.7)**	0.3	5.8	5.2	1.7
Experience adjustments on scheme liabilities					
Gain/(loss) (£m)	**2.4**	0.2	2.2	(0.2)	(0.2)
Percentage of closing scheme liabilities	**4%**	–	5%	–	–
Experience adjustments on scheme assets					
Gain/(loss) (£m)	**8.5**	(16.7)	(7.2)	0.9	5.3
Percentage of closing scheme assets	**15%**	(38%)	(13%)	2%	10%

The cumulative actuarial losses recognised in the statement of comprehensive income since the adoption of IFRS are £18.2m.

The estimated amount of contributions currently expected to be paid by the Company to the plan during the current financial year is £0.8m although this may rise following the completion of the triennial actuarial valuation of the plan at 30 April 2010.

23 Financial risk management

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

It is the role of the Group treasury function to manage and monitor the Group's financial risks and internal and external funding requirements in support of the Group's corporate objectives. Treasury activities are governed by policies and procedures approved by the Board and monitored by the Finance and Administration Committee. In particular, the Board of directors or, through delegated authority, the Finance and Administration Committee, approves any derivative transactions. Derivative transactions are only undertaken for the purposes of managing interest rate risk and currency risk. The Group does not trade in financial instruments. The Group maintains treasury control systems and procedures to monitor liquidity, currency, credit and financial risks. The Group reports in pounds sterling and pays dividends in pounds sterling.

Market risk

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

Interest rate risk

Management of fixed and variable rate debt

The Group has fixed and variable rate debt in issue with 58% of the drawn debt at a fixed rate as at 30 April 2010. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result the carrying value of fixed rate debt is unaffected by changes in credit conditions in the debt markets and there is therefore no exposure to fair value interest rate risk. The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the senior secured credit facility. The interest rates currently applicable to this variable rate debt are LIBOR as applicable to the currency borrowed (US dollars or pounds sterling) plus 350bp on the extended revolver borrowings, LIBOR plus 200bp on the non-extended revolver borrowings and LIBOR plus 175bp on the term borrowings. The Group periodically utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. However, during the year ended and as at 30 April 2010, the Group had no such outstanding swap agreements. The Group also may at times hold cash and cash equivalents which earn interest at a variable rate.

Net variable rate debt sensitivity

At 30 April 2010, based upon the amount of variable rate debt outstanding, the Group's pre-tax profits would change by approximately £4m for each one percentage point change in interest rates applicable to the variable rate debt and, after tax effects, equity would change by approximately £2m. The amount of the Group's variable rate debt may fluctuate as a result of changes in the amount of debt outstanding under the revolving tranches of the senior secured credit facility.

Currency exchange risk

Currency exchange risk is limited to translation risk as there are no transactions in the ordinary course of business that take place between foreign entities. The Group's reporting currency is the pound sterling. However, a majority of our assets, liabilities, revenue and costs is denominated in US dollars. The Group has arranged its financing such that, at 30 April 2010, virtually all of its debt was denominated in US dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense.

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

Resultant impacts of reasonably possible changes to foreign exchange rates

Based upon the level of US operations and of the US dollar-denominated debt balance and US interest rates at 30 April 2010, a 1% change in the US dollar-pound sterling exchange rate would have impacted our pre-tax profits by approximately £40,000 and equity by approximately £2.0m. At 30 April 2010, the Group had no outstanding foreign exchange contracts.

Credit risk

The Group's principal financial assets are cash and bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group's maximum exposure to credit risk is presented in the following table:

	2010 **£m**	2009 £m
Cash and cash equivalents	**54.8**	1.7
Trade and other receivables	**134.7**	148.3
	189.5	150.0

Substantially all of the Group's cash and cash equivalents at 30 April 2010 are deposited with one large UK-based financial institution which is not expected to fail.

The Group has a large number of unrelated customers, serving over 580,000 during the financial year, and does not have any significant credit exposure to any particular customer. Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the markets they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across the Group, such as the use of credit reference agencies and the maintenance of credit control functions.

Liquidity risk

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

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

In addition to the strong free cash flow from normal trading activities, additional liquidity is available through the Group's ABL facility. At 30 April 2010, availability under this facility was $537m (£351m).

Contractual maturity analysis

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

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

At 30 April 2010

	Undiscounted cash flows – year to 30 April						
	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	384.8	–	–	384.8
Finance leases	3.1	0.4	–	–	–	–	3.5
8.625% senior secured notes	–	–	–	–	–	163.3	163.3
9.0% senior secured notes	–	–	–	–	–	359.3	359.3
	3.1	0.4	–	384.8	–	522.6	910.9
Interest payments	64.1	66.1	63.6	55.7	46.4	45.3	341.2
	67.2	66.5	63.6	440.5	46.4	567.9	1,252.1

Letters of credit of £19.1m (2009: £21.3m) are provided and guaranteed under the ABL facility which expires in November 2013.

At 30 April 2009

	Undiscounted cash flows – year to 30 April						
	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	Thereafter £m	Total £m
Bank and other debt	1.7	1.7	502.3	–	–	–	505.7
Finance leases	5.2	2.4	0.3	–	–	–	7.9
8.625% senior secured notes	–	–	–	–	–	168.7	168.7
9.0% senior secured notes	–	–	–	–	–	371.2	371.2
	6.9	4.1	502.6	–	–	539.9	1,053.5
Interest payments	60.7	61.8	51.9	48.0	48.0	94.7	365.1
	67.6	65.9	554.5	48.0	48.0	634.6	1,418.6

23 Financial risk management continued

Capital risk management

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

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

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

Fair value of financial instruments

Net fair values of derivative financial instruments

At 30 April 2010, the Group's embedded prepayment options included within its secured loan notes had a combined fair value of £5.7m (2009: £nil). At 30 April 2010, the Group had no other derivative financial instruments.

Fair value of non-derivative financial assets and liabilities

The table below provides a comparison, by category of the carrying amounts and the fair values of the Group's non-derivative financial assets and liabilities at 30 April 2010. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties and includes accrued interest. Where available, market values have been used to determine fair values of financial assets and liabilities. Where market values are not available, fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest and exchange rates.

	At 30 April 2010		At 30 April 2009	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Fair value of non-current borrowings:				
Long-term borrowings				
Fair value determined based on market value				
– first priority senior secured bank debt	**384.8**	**383.3**	504.0	484.0
– 8.625% senior secured notes	**163.3**	**164.6**	168.7	109.7
– 9% senior secured notes	**359.3**	**369.2**	371.2	241.3
	907.4	**917.1**	1,043.9	835.0
Fair value determined based on observable market inputs				
– finance lease obligations	**0.4**	**0.4**	2.7	2.7
Total long-term borrowings	**907.8**	**917.5**	1,046.6	837.7
Deferred costs of raising finance	**(27.1)**	**–**	(15.9)	–
	880.7	**917.5**	1,030.7	837.7
Fair value of other financial instruments held or issued to finance the Group's operations:				
Fair value determined based on market value				
Short-term borrowings	**–**	**–**	1.7	1.7
Finance lease obligations due within one year	**3.1**	**3.1**	5.2	5.2
Trade and other payables	**130.6**	**130.6**	106.7	106.7
Trade and other receivables	**(134.7)**	**(134.7)**	(148.3)	(148.3)
Cash at bank and in hand	**(54.8)**	**(54.8)**	(1.7)	(1.7)

24 Notes to the cash flow statement

a) Cash flow from operating activities

	2010 £m	2009 £m
Operating profit before exceptional items and amortisation:		
– continuing operations	**68.5**	155.0
– discontinued operations	**–**	2.8
	68.5	157.8
Depreciation	**186.6**	201.1
EBITDA before exceptional items	**255.1**	358.9
Profit on disposal of rental equipment	**(2.0)**	(6.6)
Profit on disposal of other property, plant and equipment	**(0.1)**	(0.9)
Decrease in inventories	**0.2**	10.5
Decrease in trade and other receivables	**10.8**	47.1
Increase/(decrease) in trade and other payables	**1.0**	(34.5)
Exchange differences	**0.1**	0.1
Other non-cash movements	**0.5**	(1.0)
Cash generated from operations before exceptional items and changes in rental equipment	**265.6**	373.6

b) Reconciliation to net debt

	2010 £m	2009 £m
(Increase)/decrease in cash in the period	**(53.1)**	0.4
Decrease in debt through cash flow	**(124.4)**	(217.2)
Change in net debt from cash flows	**(177.5)**	(216.8)
Exchange differences	**(36.9)**	285.0
Non-cash movements:		
– deferred costs of debt raising	**7.3**	2.8
– capital element of new finance leases	**0.2**	1.7
(Reduction)/increase in net debt in the period	**(206.9)**	72.7
Net debt at 1 May	**1,035.9**	963.2
Net debt at 30 April	**829.0**	1,035.9

c) Analysis of net debt

	1 May 2009 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	30 April 2010 £m
Cash and cash equivalents	(1.7)	–	(53.1)	–	(54.8)
Debt due within one year	6.9	(0.2)	(4.1)	0.5	3.1
Debt due after one year	1,030.7	(36.7)	(120.3)	7.0	880.7
Total net debt	1,035.9	(36.9)	(177.5)	7.5	829.0

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

d) Acquisitions

	2010 £m	2009 £m
Cash consideration	**0.2**	0.3

25 Contingent liabilities

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

The Company has guaranteed the borrowings of its subsidiary undertakings under the Group's senior secured credit and overdraft facilities. At 30 April 2010 the amount borrowed under these facilities was £384.8m (2009: £505.7m). Additionally, subsidiary undertakings are able to obtain letters of credit under these facilities which are also guaranteed by the Company and, at 30 April 2010, letters of credit issued under these arrangements totalled £19.1m ($29.3m) (2009: £21.3m or $31.6m). Additionally the Company has guaranteed the 8.625% second priority senior secured notes with a par value of $250m (£163m) and 9% second priority senior secured notes with a par value of $550m (£359m), issued by Ashtead Holdings PLC and Ashtead Capital, Inc., respectively.

The Company has guaranteed operating and finance lease commitments of subsidiary undertakings where the minimum lease commitment at 30 April 2010 totalled £71.5m (2009: £76.6m) in respect of land and buildings and £2.1m (2009: £5.2m) in respect of other lease rentals of which £7.4m and £2.0m respectively is payable by subsidiary undertakings in the year ending 30 April 2011.

The Company has guaranteed the performance by subsidiaries of certain other obligations up to £0.8m (2009: £1.0m).

26 Capital commitments

At 30 April 2010 capital commitments in respect of purchases of rental and other equipment totalled £24.6m (2009: £11.3m), all of which had been ordered. There were no other material capital commitments at the year end.

27 Related party transactions

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

28 Employees

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

	2010	2009
North America	**5,675**	6,742
United Kingdom	**1,976**	2,318
	7,651	9,060

29 New accounting standards

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

Amendments to IFRS 1, Additional exemptions for first-time adopters was issued on 23 July 2009 and is effective for annual periods beginning on or after 1 January 2010. The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets. They also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining whether an arrangement contains a lease', when the application of local accounting requirements produced the same result. As the Group has already adopted IFRS, there will be no effect on the Group's results or financial position on adoption.

Amendment to IFRS 1, Limited exemption from comparative IFRS 1 disclosure for first-time adopters was issued on 28 January 2009 and is effective for annual periods beginning on or after 1 July 2010. The amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced by the 'Amendment to IFRS 7 – Improving disclosures about financial instruments' in March 2009. It thereby ensures that first-time adopters benefit from the same transition provisions that 'Amendments to IFRS 7' provides to current IFRS preparers. As the Group has already adopted IFRS, there will be no effect on the Group's results or financial position on adoption.

IFRS 9 – Financial instruments was issued on 12 November 2009 and is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. The IASB has issued this standard as the first step in its project to replace 'IAS 39 – Financial instruments: recognition and measurement'. IFRS 9 has two measurement categories being amortised cost and fair value. All equity and debt instruments are to be measured at fair value with the exception of a debt instrument being measured at amortised cost if it is being held by the entity to collect contractual cash flows and the cash flows represent principal and interest. The requirement to separate embedded derivatives from financial assets within hybrid contracts has been removed with them being classified in their entirety at either amortised cost or fair value. Two of the existing three fair value option criteria being 'loans and receivables' and 'held-to-maturity investments' measured at amortised cost will become obsolete under this fair value-driven business model. The EU has currently postponed its endorsement of this standard as its IFRS technical advisory body, the European Financial Reporting Advisory Group ('EFRAG') has decided that more time should be taken to consider the output from the entire package of standards that are expected to replace 'IAS 39 – Financial instruments'. The Group is currently assessing the impact and expected timing of adoption of this standard on the Group's results and financial position.

IAS 24 (revised) – Related party disclosures was issued on 12 November 2009 and is effective for annual periods beginning on or after 1 January 2011. The standard has been revised in response to concerns that disclosure requirements and the definition of a 'related party' were too complex and difficult to apply in practice. These concerns have been addressed by providing a partial exemption for government related entities and providing a revised definition of a related party. The Group does not believe the adoption of this pronouncement will have a material impact on the consolidated results or financial position of the Group.

Amendment to IFRIC 14 – Prepayments of a minimum funding requirement was issued on 26 November 2009 and is effective for annual periods beginning on or after 1 January 2011. The amendment removes the unintended consequence of IFRIC 14, where it did not permit the recognition of an asset for any surplus arising from voluntary prepayment of minimum funding contributions in respect to future years of service. This will affect companies that have prepaid (or expect to prepay) the minimum funding requirement in respect to future employee service, leading to a pension surplus. The Group does not believe the adoption of this pronouncement will have a material impact on the consolidated results or financial position of the Group.

IFRIC 19 – Extinguishing financial liabilities with equity instruments was issued on 26 November 2009 and is effective for annual periods beginning on or after 1 July 2010. This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a 'debt for equity swap'). It requires a gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The Group does not believe the adoption of this pronouncement will have a material impact on the consolidated results or financial position of the Group.

Improvements to IFRSs (2010) was issued in May 2010 and its requirements are effective over a range of dates, with the earliest effective date being for annual periods beginning on or after 1 January 2011. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project. The Company does not believe the adoption of these amendments will have a material impact on the results or financial position of the Company.

30 Parent company information

a) Balance sheet of the Company

	Notes	2010 £m	2009 £m
Current assets			
Prepayments and accrued income		**0.2**	0.1
Non-current assets			
Investments in Group companies	(g)	**363.7**	363.7
Deferred tax asset		**0.2**	–
		363.9	363.7
Total assets		**364.1**	363.8
Current liabilities			
Amounts due to subsidiary undertakings	(f)	**82.7**	72.0
Accruals and deferred income		**3.1**	1.2
Total liabilities		**85.8**	73.2
Equity			
Share capital	(b)	**55.3**	55.3
Share premium account	(b)	**3.6**	3.6
Capital redemption reserve	(b)	**0.9**	0.9
Non-distributable reserve	(b)	**90.7**	90.7
Own shares held by the Company	(b)	**(33.1)**	(33.1)
Own shares held through the ESOT	(b)	**(6.3)**	(6.3)
Retained reserves	(b)	**167.2**	179.5
Equity attributable to equity holders of the Company		**278.3**	290.6
Total liabilities and equity		**364.1**	363.8

These financial statements were approved by the Board on 16 June 2010.

Geoff Drabble
Chief executive

Ian Robson
Finance director

notes to the consolidated financial statements continued

30 Parent company information continued

b) Statement of changes in equity of the Company

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non-distributable reserve £m	Treasury stock £m	Own shares held by ESOT £m	Retained reserves £m	Total £m
At 30 April 2008	56.2	3.6	–	90.7	(23.3)	(7.0)	201.0	321.2
Total comprehensive income for the year	–	–	–	–	–	–	(1.0)	(1.0)
Shares issued	–	–	–	–	0.5	–	(0.3)	0.2
Dividends paid	–	–	–	–	–	–	(12.9)	(12.9)
Share-based payments	–	–	–	–	–	–	(0.8)	(0.8)
Vesting of share awards	–	–	–	–	–	1.1	(1.1)	–
Own shares purchased	–	–	–	–	(15.7)	(0.4)	–	(16.1)
Cancellation of shares held by the Company	(0.9)	–	0.9	–	5.4	–	(5.4)	–
At 30 April 2009	55.3	3.6	0.9	90.7	(33.1)	(6.3)	179.5	290.6
Total comprehensive income for the year	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(12.8)	(12.8)
Share-based payments	–	–	–	–	–	–	0.5	0.5
At 30 April 2010	**55.3**	**3.6**	**0.9**	**90.7**	**(33.1)**	**(6.3)**	**167.2**	**278.3**

c) Cash flow statement of the Company

	Note	**2010 £m**	2009 £m
Cash flows from operating activities			
Cash generated from operations	(i)	**14.2**	28.9
Financing costs paid		**(1.4)**	–
Net cash from operating activities		**12.8**	28.9
Cash flows from financing activities			
Redemption of loans		**–**	(0.1)
Purchase of own shares by the Company		**–**	(15.7)
Purchase of own shares by the ESOT		**–**	(0.4)
Proceeds from issue of ordinary shares		**–**	0.2
Dividends paid		**(12.8)**	(12.9)
Net cash used in financing activities		**(12.8)**	(28.9)
Decrease in cash and cash equivalents		**–**	–

d) Accounting policies

The Company financial statements have been prepared on the basis of the accounting policies set out in note 1 above, supplemented by the policy on investments set out below.

Investments in subsidiary undertakings are stated at cost less any necessary provision for impairment in the parent company balance sheet. Where an investment in a subsidiary is transferred to another subsidiary, any uplift in the value at which it is transferred over its carrying value is treated as a revaluation of the investment prior to the transfer and is credited to the revaluation reserve.

e) Income statement

Ashtead Group plc has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006. The amount of the loss for the financial year dealt with in the accounts of Ashtead Group plc is £nil (2009: £1.0m).

f) Amounts due to subsidiary undertakings

	2010 £m	2009 £m
Due within one year:		
Ashtead Holdings PLC	**82.7**	11.7
Ashtead Plant Hire Company Limited	**–**	60.3
	82.7	72.0

g) Investments

	Shares in Group companies	
	2010	2009
	£m	£m
At 30 April 2009 and 2010	**363.7**	363.7

The Company's principal subsidiaries are:

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

The issued share capital (all of which comprises ordinary shares) of subsidiaries is 100% owned by the Company or by subsidiary undertakings and all subsidiaries are consolidated. The principal activity of Ashtead Holdings PLC is an investment holding company while Ashtead Capital, Inc. and Ashtead Financing Limited are finance companies. The principal activity of each other subsidiary undertaking listed above is equipment rental. Ashtead Group plc owns all the issued share capital of Ashtead Holdings PLC which in turn holds all of the other subsidiaries listed above except for Sunbelt Rentals, Inc. which Ashtead Holdings PLC owns indirectly through another subsidiary undertaking.

h) Financial instruments

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

i) Notes to the Company cash flow statement

Cash flow from operating activities

	2010	2009
	£m	£m
Operating loss	**–**	–
Depreciation	**0.1**	0.1
EBITDA	**0.1**	0.1
(Increase)/decrease in receivables	**(0.1)**	1.0
Increase/(decrease) in payables	**0.2**	(2.3)
Increase in intercompany payable	**13.5**	31.1
Other non-cash movement	**0.5**	(1.0)
Net cash inflow from operations before exceptional items	**14.2**	28.9

ten year history

	2010	2009	2008	2007	2006	IFRS 2005	2004	2003	2002	UK GAAP 2001
In £m										
Income statement										
Revenue +	**836.8**	1,073.5	1,047.8	896.1	638.0	523.7	500.3	539.5	583.7	552.0
Operating costs +	**(581.7)**	(717.4)	(684.1)	(585.8)	(413.3)	(354.2)	(353.3)	(389.4)	(398.6)	(345.3)
EBITDA +	**255.1**	356.1	363.7	310.3	224.7	169.5	147.0	150.1	185.1	206.7
Depreciation	**(186.6)**	(201.1)	(176.6)	(159.8)	(113.6)	(102.4)	(102.8)	(111.0)	(117.8)	(117.6)
Operating profit +	**68.5**	155.0	187.1	150.5	111.1	67.1	44.2	39.1	67.3	89.1
Interest +	**(63.5)**	(67.6)	(74.8)	(69.1)	(43.6)	(44.7)	(36.6)	(40.9)	(49.1)	(50.7)
Pre-tax profit/(loss) +	**5.0**	87.4	112.3	81.4	67.5	22.4	7.6	(1.8)	18.2	38.4
Operating profit	**66.0**	68.4	184.5	101.1	124.5	67.1	16.2	0.6	72.5	68.2
Pre-tax profit/(loss)	**4.8**	0.8	109.7	(36.5)	81.7	32.2	(33.1)	(42.2)	(15.5)	11.1
Cash flow										
Cash flow from operations before exceptional items and changes in rental fleet	**265.6**	373.6	356.4	319.3	215.2	164.8	140.0	157.3	194.2	173.0
Total cash generated before exceptional costs and M&A	**199.2**	166.0	14.8	20.3	(5.2)	58.7	56.6	38.9	(29.4)	(26.3)
Balance sheet										
Capital expenditure	**63.4**	238.3	331.0	290.2	220.2	138.4	72.3	85.5	113.8	237.7
Book cost of rental equipment	**1,701.3**	1,798.2	1,528.4	1,434.1	921.9	800.2	813.9	945.8	971.9	962.8
Shareholders' funds *	**500.3**	526.0	440.3	396.7	258.3	109.9	131.8	159.4	192.9	202.1
In pence										
Dividend per share	**2.9p**	2.575p	2.5p	1.65p	1.50p	Nil	Nil	Nil	3.50p	3.50p
Earnings per share	**0.4p**	12.5p	14.2p	0.8p	13.5p	5.2p	(9.9p)	(9.5p)	1.1p	6.5p
Underlying earnings per share	**0.2p**	11.9p	14.8p	10.3p	11.3p	3.2p	(0.7p)	(0.4p)	13.7p	9.2p
In percent										
EBITDA margin +	**30.5%**	33.2%	34.7%	34.6%	35.2%	32.4%	29.4%	27.8%	31.7%	37.4%
Operating profit margin +	**8.2%**	14.4%	17.9%	16.8%	17.4%	12.9%	8.8%	7.2%	11.5%	16.1%
Pre-tax profit/(loss) margin +	**0.6%**	8.1%	10.7%	9.1%	10.6%	4.8%	1.5%	(0.3%)	3.1%	7.0%
People										
Employees at year end	**7,218**	8,162	9,594	10,077	6,465	5,935	5,833	6,078	6,545	6,043
Locations										
Stores at year end	**498**	520	635	659	413	412	428	449	463	443

The figures for the years ended 30 April 2005 and later are reported in accordance with IFRS. Figures for 2004 and prior are reported under UK GAAP and have not been restated in accordance with IFRS.

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

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

additional information

Future dates

Quarter 1 results	7 September 2010
2010 Annual General Meeting	7 September 2010
Quarter 2 results	9 December 2010
Quarter 3 results	8 March 2011
Quarter 4 and year end results	16 June 2011

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