20 June 2013

Audited results for the year and unaudited results for the fourth quarter ended 30 April 2013

	Fourth quarter			Year		
	2013	2012	Growth[1]	2013	2012	Growth[1]
	£m	£m	%	£m	£m	%
Underlying results[2]						
Revenue	347.6	287.8	17%	1,361.9	1,134.6	19%
EBITDA	122.5	88.7	34%	519.3	381.1	35%
Operating profit	62.7	38.0	58%	290.3	181.3	58%
Profit before taxation	52.2	25.6	95%	246.7	130.6	87%
Earnings per share	7.0p	4.0p	71%	31.6p	17.3p	80%
Statutory results						
Profit before taxation	50.3	31.9	52%	215.5	134.8	65%
Earnings per share	6.8p	4.7p	39%	27.7p	17.8p	54%

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

Highlights

- Momentum continued in Q4 with Sunbelt rental revenue up 23%
- Record Group pre-tax profit[2] for the year of £247m (2012: £131m)
- Group EBITDA margins of 38% (2012: 34%)
- £580m of capital invested in the business
- Group RoI of 16% (2012: 12%)
- Net debt to EBITDA leverage reduced to 2.0 times (2012: 2.2 times)
- Proposed final dividend of 6.0p making 7.5p for the year (2012: 3.5p)

Ashtead's chief executive, Geoff Drabble, commented:

"We are delighted to report another excellent set of results with key financial and non-financial metrics at record levels. Our largely organic investment strategy has again delivered strong revenue growth together with margin and return on investment improvement. We continue to make significant investment in the business with capital expenditure of £580m in the year and a similar level planned for the coming year. As a result of our strong margins, we are able to support this investment while at the same time continuing to delever.

With this momentum established in the business, cyclical recovery still to come and a strong balance sheet to support growth opportunities, we anticipate that our profits in the coming year will be ahead of our earlier expectations."

Contacts:

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

Geoff Drabble and Suzanne Wood will host a meeting for equity analysts to discuss the results at 9.30am on Thursday 20 June at the offices of Jefferies Hoare Govett at Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ. This meeting will be webcast live via the Company's website at www.ashtead-group.com and a replay will be available from shortly after the call concludes. A copy of this announcement and the slide presentation used for the meeting will also be available for download on the Company's website. The usual conference call for bondholders will begin at 3pm (10am EST).

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

Forward looking statements

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

Trading results

	Revenue		EBITDA		Operating profit	
	2013	2012	2013	2012	2013	2012
Sunbelt in $m	1,819.9	1,506.6	741.4	540.8	452.5	289.9
Sunbelt in £m	1,155.8	945.7	470.9	339.4	287.4	181.9
A-Plant	206.1	188.9	57.6	49.5	12.2	7.3
Group central costs	-	-	(9.2)	(7.8)	(9.3)	(7.9)
Continuing operations	1,361.9	1,134.6	519.3	381.1	290.3	181.3
Net financing costs					(43.6)	(50.7)
Profit before tax, exceptionals, remeasurements and amortisation					**246.7**	**130.6**
Exceptional items					(18.0)	-
Fair value remeasurements					(7.4)	7.3
Amortisation					(5.8)	(3.1)
Profit before taxation					215.5	134.8
Taxation					(76.7)	(46.3)
Profit attributable to equity holders of the Company					138.8	88.5
Margins						
Sunbelt			*40.7%*	*35.9%*	*24.9%*	*19.2%*
A-Plant			*28.0%*	*26.2%*	*5.9%*	*3.8%*
Group			*38.1%*	*33.6%*	*21.3%*	*16.0%*

The fourth quarter saw a continuation of the strong performance seen during the rest of the year. In Sunbelt, rental revenue increased 23% as a result of having 18% more fleet on rent and a 6% year on year improvement in yield. A-Plant also experienced strong revenue growth of 11% due to increased fleet on rent and broadly stable yields.

For the year, Group revenue increased 20% to £1,362m (2012: £1,135m), reflecting the continued strong momentum in the business. This revenue growth, combined with ongoing operational efficiency and lower financing costs generated record underlying profit before tax of £247m (2012: £131m). Exchange rate fluctuations did not have a significant effect on year on year comparisons.

Sunbelt continues to drive the Group's performance. Rental revenue grew 21% to $1,611m (2012: $1,335m) driven by a 13% increase in average fleet on rent and 7% improvement in yield. Sunbelt's total revenue, including new and used equipment, merchandise and consumable sales, also grew 21% to $1,820m (2012: $1,507m). In difficult market conditions A-Plant performed well and delivered rental revenue growth of 9%. This was due to 11% more fleet on rent, which was partially offset by a 2% yield decline.

Sunbelt's strong revenue growth, combined with continued focus on operational efficiency, resulted in a 67% drop-through to profit. As a result, it recorded a record EBITDA margin of 41%. Sunbelt's operating profit of $453m (2012: $290m) also represented a record which is particularly encouraging as we still have cyclical recovery to come. A-Plant's EBITDA margin improved to 28% (2012: 26%), resulting in a satisfying growth in operating profit to £12m (2012: £7m).

Exceptional financing costs of £18m (including cash costs of £13m) related to the redemption of our $550m 9.0% senior secured notes in July 2012. There is also a non-cash charge of £7m relating to the remeasurement to fair value of the early repayment options in our long term debt. This charge follows the recognition of a £7m credit related to the $550m senior secured notes in Q4 last year which reflected our ability to issue similar debt at a lower interest rate as we did in June.

As a result, statutory profit before tax was £216m (2012: £135m). The tax charge was 36% (2012: 34%) of the underlying pre-tax profit, reflecting the increasing proportion of US earnings which attract a higher tax rate. Underlying earnings per share increased 83% to 31.6p (2012: 17.3p), whilst basic earnings per share were 27.7p (2012: 17.8p).

Capital expenditure

Reflecting the strong market conditions, we pulled forward around $100m of capital expenditure into the fourth quarter. As a result, capital expenditure for the year was £580m (calculated at year-end exchange rates), of which £521m was rental fleet and the balance delivery vehicles, property improvements and IT. Disposal proceeds were £103m (2012: £90m), giving net capital expenditure of £477m (2012: £386m). At 30 April 2013 the Group's rental fleet at cost was £2.2bn with a reduced fleet age of 32 months (2012: 37 months). Sunbelt's fleet size at 30 April was $2.9bn.

Our preliminary capital expenditure plan for next year is for gross additions of around £560m, a similar level to this year. However, we expect a greater proportion of next year's spend will be directed to growth rather than replacement as we keep fleet age broadly stable rather than continuing to de-age. As always, our capital expenditure plans remain flexible depending on market conditions and we will adjust our plans appropriately during the course of the year. This level of expenditure is consistent with our strategy at this stage in the cycle of investing in organic growth, opening greenfield sites and continuing to reduce our leverage.

Return on investment[1]

Sunbelt's pre-tax return on investment (excluding goodwill) in the 12 months to 30 April 2013 continued to improve and reached 24.7% (2012: 19.5%), well ahead of the Group's pre-tax weighted average cost of capital. In the UK, return on investment (excluding goodwill) improved to 5.0% (2012: 3.2%). For the Group as a whole, returns including goodwill were 16.2% (2012: 12.0%).

Cash flow and net debt

As expected, our debt increased during the year as we spent to renew and grow the fleet and made a number of bolt-on acquisitions. Despite spending more than twice depreciation on our fleet, this organic growth was broadly self-funded from cash flow with a net free cash outflow of only £34m (cash from operations less net capex, interest and tax). In addition, £34m was spent on acquisitions, whilst dividends paid totalled £20m.

Reflecting our strong earnings growth, net debt to EBITDA leverage reduced to 2.0 times (2012: 2.2 times) whilst, including a £39m translation increase, year-end net debt was £1,014m (2012: £854m).

The Group's debt package remains well structured to enable us to take advantage of prevailing end market conditions. The Group's debt facilities are committed for an average of 5 years. At 30 April 2013, ABL availability was $667m, with an additional $262m of suppressed availability - substantially above the $216m level at which the Group's entire debt package is covenant free.

[1] Operating profit divided by the sum of the net tangible and intangible fixed assets, plus net working capital but excluding net debt, deferred tax and fair value remeasurements.

Dividends

In accordance with our progressive dividend policy, with consideration to both profitability and cash generation at a level that is sustainable across the cycle, the Board is recommending a final dividend of 6.0p per share (2012: 2.5p) making 7.5p for the year (2012: 3.5p). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 6 September 2013 to shareholders on the register on 16 August 2013.

Current trading and outlook

The strong momentum developed in the past year has continued in May. With this momentum established in the business, cyclical recovery still to come and a strong balance sheet to support growth opportunities, we anticipate that our profits in the coming year will be ahead of our earlier expectations.

Directors' responsibility statement on the annual report

The responsibility statement below has been prepared in connection with the Company's Annual Report & Accounts for the year ended 30 April 2013. Certain parts thereof are not included in this announcement.

"The Board confirms to the best of its knowledge:

a) the consolidated financial statements, prepared in accordance with IFRS as issued by the International Accounting Standards Board and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

b) the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board 19 June 2013"

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 30 APRIL 2013

	2013			2012		
	Before amortisation £m	Amortisation £m	Total £m	Before amortisation and remeasurements £m	Amortisation and remeasurements £m	Total £m
Fourth quarter – unaudited						
Revenue						
Rental revenue	306.8	-	306.8	246.4	-	246.4
Sale of new equipment, merchandise and consumables	17.4	-	17.4	11.6	-	11.6
Sale of used rental equipment	23.4	-	23.4	29.8	-	29.8
	347.6	-	347.6	287.8	-	287.8
Operating costs						
Staff costs	(96.3)	-	(96.3)	(84.8)	-	(84.8)
Used rental equipment sold	(19.4)	-	(19.4)	(28.0)	-	(28.0)
Other operating costs	(109.4)	-	(109.4)	(86.3)	-	(86.3)
	(225.1)	-	(225.1)	(199.1)	-	(199.1)
EBITDA*	122.5	-	122.5	88.7	-	88.7
Depreciation	(59.8)	-	(59.8)	(50.7)	-	(50.7)
Amortisation of intangibles	-	(1.9)	(1.9)	-	(1.0)	(1.0)
Operating profit	62.7	(1.9)	60.8	38.0	(1.0)	37.0
Investment income	1.0	-	1.0	1.1	7.3	8.4
Interest expense	(11.5)	-	(11.5)	(13.5)	-	(13.5)
Profit on ordinary activities before taxation	52.2	(1.9)	50.3	25.6	6.3	31.9
Taxation	(16.9)	0.7	(16.2)	(5.8)	(2.6)	(8.4)
Profit attributable to equity holders of the Company	35.3	(1.2)	34.1	19.8	3.7	23.5
Basic earnings per share	7.0p	(0.2p)	6.8p	4.0p	0.7p	4.7p
Diluted earnings per share	6.9p	(0.2p)	6.7p	3.9p	0.7p	4.6p

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

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

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2013

	2013			2012		
	Before exceptional items, amortisation and remeasurements	Exceptional items, amortisation and remeasurements	Total	Before amortisation and remeasurements	Amortisation and remeasurements	Total
	£m	£m	£m	£m	£m	£m
Year to 30 April 2013 - audited						
Revenue						
Rental revenue	1,206.4	-	1,206.4	1,005.9	-	1,005.9
Sale of new equipment, merchandise and consumables	60.3	-	60.3	44.7	-	44.7
Sale of used rental equipment	95.2	-	95.2	84.0	-	84.0
	1,361.9	-	1,361.9	1,134.6	-	1,134.6
Operating costs						
Staff costs	(365.8)	-	(365.8)	(334.0)	-	(334.0)
Used rental equipment sold	(80.9)	-	(80.9)	(74.6)	-	(74.6)
Other operating costs	(395.9)	-	(395.9)	(344.9)	-	(344.9)
	(842.6)	-	(842.6)	(753.5)	-	(753.5)
EBITDA*	519.3	-	519.3	381.1	-	381.1
Depreciation	(229.0)	-	(229.0)	(199.8)	-	(199.8)
Amortisation of intangibles	-	(5.8)	(5.8)	-	(3.1)	(3.1)
Operating profit	290.3	(5.8)	284.5	181.3	(3.1)	178.2
Investment income	4.2	-	4.2	4.2	7.3	11.5
Interest expense	(47.8)	(25.4)	(73.2)	(54.9)	-	(54.9)
Profit on ordinary activities before taxation	246.7	(31.2)	215.5	130.6	4.2	134.8
Taxation	(88.6)	11.9	(76.7)	(44.4)	(1.9)	(46.3)
Profit attributable to equity holders of the Company	158.1	(19.3)	138.8	86.2	2.3	88.5
Basic earnings per share	31.6p	(3.9p)	27.7p	17.3p	0.5p	17.8p
Diluted earnings per share	31.1p	(3.8p)	27.3p	16.9p	0.4p	17.3p

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2013	2012	2013	2012
	£m	£m	£m	£m
Profit attributable to equity holders of the Company for the period	34.1	23.5	138.8	88.5
Foreign currency translation differences	6.3	(8.4)	14.0	4.5
Actuarial loss on defined benefit pension scheme	(5.1)	(6.2)	(5.1)	(6.2)
Tax on defined benefit pension scheme	1.2	1.5	1.2	1.5
Total comprehensive income for the period net of tax	36.5	10.4	148.9	88.3

CONSOLIDATED BALANCE SHEET AT 30 APRIL 2013

	Audited	
	2013	2012
	£m	£m
Current assets		
Inventories	16.7	13.4
Trade and other receivables	218.6	178.0
Current tax asset	0.8	2.6
Cash and cash equivalents	20.3	23.4
	256.4	217.4
Non-current assets		
Property, plant and equipment		
- rental equipment	1,407.8	1,118.4
- other assets	176.8	145.0
	1,584.6	1,263.4
Goodwill	397.3	371.0
Other intangible assets	32.6	21.7
Deferred tax asset	1.3	-
Defined benefit pension fund surplus	0.4	3.4
Other financial assets – derivatives	-	7.2
	2,016.2	1,666.7
Total assets	2,272.6	1,884.1
Current liabilities		
Trade and other payables	296.1	265.6
Current tax liability	3.8	2.8
Debt due within one year	2.2	2.1
Provisions	11.9	11.3
	314.0	281.8
Non-current liabilities		
Debt due after more than one year	1,032.2	875.6
Provisions	24.9	21.7
Deferred tax liabilities	219.0	150.3
	1,276.1	1,047.6
Total liabilities	1,590.1	1,329.4
Equity		
Share capital	55.3	55.3
Share premium account	3.6	3.6
Capital redemption reserve	0.9	0.9
Non-distributable reserve	90.7	90.7
Own shares held by the Company	(33.1)	(33.1)
Own shares held through the ESOT	(7.4)	(6.2)
Cumulative foreign exchange translation differences	21.1	7.1
Retained reserves	551.4	436.4
Equity attributable to equity holders of the Company	682.5	554.7
Total liabilities and equity	2,272.6	1,884.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2013

Audited

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non-distributable reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
At 1 May 2011	55.3	3.6	0.9	90.7	(33.1)	(6.7)	2.6	368.1	481.4
Profit for the period	-	-	-	-	-	-	-	88.5	88.5
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	4.5	-	4.5
Actuarial loss on defined benefit pension scheme	-	-	-	-	-	-	-	(6.2)	(6.2)
Tax on defined benefit pension scheme	-	-	-	-	-	-	-	1.5	1.5
Total comprehensive income for the period	-	-	-	-	-	-	4.5	83.8	88.3
Dividends paid	-	-	-	-	-	-	-	(15.3)	(15.3)
Own shares purchased by the ESOT	-	-	-	-	-	(3.5)	-	-	(3.5)
Share-based payments	-	-	-	-	-	4.0	-	(1.5)	2.5
Tax on share-based payments	-	-	-	-	-	-	-	1.3	1.3
At 30 April 2012	55.3	3.6	0.9	90.7	(33.1)	(6.2)	7.1	436.4	554.7
Profit for the period	-	-	-	-	-	-	-	138.8	138.8
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	14.0	-	14.0
Actuarial loss on defined benefit pension scheme	-	-	-	-	-	-	-	(5.1)	(5.1)
Tax on defined benefit pension scheme	-	-	-	-	-	-	-	1.2	1.2
Total comprehensive income for the period	-	-	-	-	-	-	14.0	134.9	148.9
Dividends paid	-	-	-	-	-	-	-	(20.0)	(20.0)
Own shares purchased by the ESOT	-	-	-	-	-	(10.2)	-	-	(10.2)
Share-based payments	-	-	-	-	-	9.0	-	(6.3)	2.7
Tax on share-based payments	-	-	-	-	-	-	-	6.4	6.4
At 30 April 2013	55.3	3.6	0.9	90.7	(33.1)	(7.4)	21.1	551.4	682.5

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2013

	Audited	
	2013	2012
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	501.3	364.6
Exceptional operating costs paid	(2.4)	(3.3)
Payments for rental property, plant and equipment	(524.2)	(357.8)
Proceeds from disposal of rental property, plant and equipment	87.6	83.4
Cash generated from operations	62.3	86.9
Financing costs paid (net)	(41.5)	(49.1)
Exceptional financing costs paid	(13.4)	-
Tax paid (net)	(6.8)	(7.4)
Net cash from operating activities	0.6	30.4
Cash flows from investing activities		
Acquisition of businesses	(33.8)	(21.9)
Payments for non-rental property, plant and equipment	(57.3)	(48.2)
Proceeds from disposal of non-rental property, plant and equipment	7.9	6.8
Payments for purchase of intangible assets	(1.0)	(1.7)
Net cash used in investing activities	(84.2)	(65.0)
Cash flows from financing activities		
Drawdown of loans	614.1	153.8
Redemption of loans	(502.5)	(94.3)
Capital element of finance lease payments	(1.0)	(1.5)
Purchase of own shares by the ESOT	(10.2)	(3.5)
Dividends paid	(20.0)	(15.3)
Net cash from financing activities	80.4	39.2
(Decrease)/increase in cash and cash equivalents	(3.2)	4.6
Opening cash and cash equivalents	23.4	18.8
Effect of exchange rate differences	0.1	-
Closing cash and cash equivalents	20.3	23.4

Reconciliation of net debt	2013 £m	2012 £m
Decrease/(increase) in cash in the period	3.2	(4.6)
Increase in debt through cash flow	110.6	58.0
Change in net debt from cash flows	113.8	53.4
Exchange differences	39.0	20.6
Non-cash movements:		
- deferred costs of debt raising	6.7	2.4
- capital element of new finance leases	0.3	2.2
Increase in net debt in the period	159.8	78.6
Opening net debt	854.3	775.7
Closing net debt	1,014.1	854.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements for the year ended 30 April 2013 were approved by the directors on 19 June 2013. This preliminary announcement of the results for the year ended 30 April 2013 contains information derived from the forthcoming 2012/13 Annual Report & Accounts and does not contain sufficient information to comply with International Financial Reporting Standards (IFRS) and does not constitute the statutory accounts for the purposes of section 435 of the Companies Act 2006. The 2011/12 Annual Report & Accounts has been delivered to the Registrar of Companies. The 2012/13 Annual Report & Accounts will be delivered to the Registrar of Companies and made available on the Group's website at www.ashtead-group.com in July 2013. The auditor's reports in respect of both years are unqualified, do not include a reference to any matter by way of emphasis without qualifying the report and do not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The results for the year ended and quarter ended 30 April 2013 have been prepared in accordance with relevant IFRS and the accounting policies set out in the Group's Annual Report & Accounts for the year ended 30 April 2013. There are no IFRS or IFRIC Interpretations that are effective for the first time for the financial year and accordingly, the Group has not adopted any new or revised IFRS or IFRIC Interpretations.

The financial statements have been prepared on the going concern basis. After reviewing the Group's annual budget, plans and financing arrangements, the directors consider that the Group has adequate resources to continue in operation for the foreseeable future and consequently that it is appropriate to adopt the going concern basis in preparing the financial statements.

The figures for the fourth quarter are unaudited.

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

	2013	2012
Average for the quarter ended 30 April	1.53	1.59
Average for the year ended 30 April	1.57	1.59
At 30 April	1.56	1.62

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Segmental analysis

	Revenue	Operating profit before amortisation	Amortisation	Operating profit
Three months to 30 April	£m	£m	£m	£m
2013				
Sunbelt	294.9	62.4	(1.4)	61.0
A-Plant	52.7	3.1	(0.5)	2.6
Corporate costs	-	(2.8)	-	(2.8)
	347.6	62.7	(1.9)	60.8
2012				
Sunbelt	237.2	38.4	(0.5)	37.9
A-Plant	50.6	1.9	(0.5)	1.4
Corporate costs	-	(2.3)	-	(2.3)
	287.8	38.0	(1.0)	37.0
Year to 30 April				
2013				
Sunbelt	1,155.8	287.4	(3.9)	283.5
A-Plant	206.1	12.2	(1.9)	10.3
Corporate costs	-	(9.3)	-	(9.3)
	1,361.9	290.3	(5.8)	284.5
2012				
Sunbelt	945.7	181.9	(1.4)	180.5
A-Plant	188.9	7.3	(1.7)	5.6
Corporate costs	-	(7.9)	-	(7.9)
	1,134.6	181.3	(3.1)	178.2

	Segment assets	Cash	Taxation assets	Other financial assets - derivatives	Total assets
At 30 April 2013					
Sunbelt	1,943.5	-	-	-	1,943.5
A-Plant	306.5	-	-	-	306.5
Corporate items	0.2	20.3	2.1	-	22.6
	2,250.2	20.3	2.1	-	2,272.6
At 30 April 2012					
Sunbelt	1,549.4	-	-	-	1,549.4
A-Plant	301.4	-	-	-	301.4
Corporate items	0.1	23.4	2.6	7.2	33.3
	1,850.9	23.4	2.6	7.2	1,884.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Operating costs

	2013			2012		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 30 April						
Staff costs:						
Salaries, bonuses and commissions	87.2	-	87.2	76.0	-	76.0
Social security costs	7.7	-	7.7	7.2	-	7.2
Other pension costs	1.4	-	1.4	1.6	-	1.6
	96.3	-	96.3	84.8	-	84.8
Used rental equipment sold	19.4	-	19.4	28.0	-	28.0
Other operating costs:						
Vehicle costs	23.8	-	23.8	21.0	-	21.0
Spares, consumables & external repairs	19.8	-	19.8	17.1	-	17.1
Facility costs	12.9	-	12.9	11.3	-	11.3
Other external charges	52.9	-	52.9	36.9	-	36.9
	109.4	-	109.4	86.3	-	86.3
Depreciation and amortisation:						
Depreciation	59.8	-	59.8	50.7	-	50.7
Amortisation of intangibles	-	1.9	1.9	-	1.0	1.0
	59.8	1.9	61.7	50.7	1.0	51.7
	284.9	1.9	286.8	249.8	1.0	250.8
Year to 30 April						
Staff costs:						
Salaries, bonuses and commissions	333.4	-	333.4	304.0	-	304.0
Social security costs	26.3	-	26.3	24.1	-	24.1
Other pension costs	6.1	-	6.1	5.9	-	5.9
	365.8	-	365.8	334.0	-	334.0
Used rental equipment sold	80.9	-	80.9	74.6	-	74.6
Other operating costs:						
Vehicle costs	92.8	-	92.8	84.2	-	84.2
Spares, consumables & external repairs	70.1	-	70.1	62.8	-	62.8
Facility costs	47.3	-	47.3	47.0	-	47.0
Other external charges	185.7	-	185.7	150.9	-	150.9
	395.9	-	395.9	344.9	-	344.9
Depreciation and amortisation:						
Depreciation	229.0	-	229.0	199.8	-	199.8
Amortisation of intangibles	-	5.8	5.8	-	3.1	3.1
	229.0	5.8	234.8	199.8	3.1	202.9
	1,071.6	5.8	1,077.4	953.3	3.1	956.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Exceptional items, amortisation and fair value remeasurements

Exceptional items are those items of financial performance that are material and non-recurring in nature. Amortisation relates to the periodic write off of intangible assets. Fair value remeasurements relate to embedded call options in the Group's $550m 9.0% senior secured notes. The Group believes these items should be disclosed separately within the consolidated income statement to assist in the understanding of the financial performance of the Group. Underlying revenue, profit and earnings per share are stated before exceptional items, amortisation of intangibles and fair value remeasurements.

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

	Three months to 30 April		Year to 30 April	
	2013	2012	2013	2012
	£m	£m	£m	£m
Write off of deferred financing costs	-	-	4.6	-
Early redemption fee	-	-	10.6	-
Call period interest	-		2.8	-
Fair value remeasurements	-	(7.3)	7.4	(7.3)
Amortisation of intangibles	1.9	1.0	5.8	3.1
	1.9	(6.3)	31.2	(4.2)
Taxation	(0.7)	2.6	(11.9)	1.9
	1.2	(3.7)	19.3	(2.3)

The write off of deferred financing costs consists of the unamortised balance of the costs relating to the $550m 9.0% senior secured notes redeemed in July 2012. In addition, an early redemption fee of £11m was paid to redeem the notes prior to their scheduled maturity. The call period interest represents the interest charge on the $550m notes for the period from the issue of the new $500m notes to the date the $550m notes were redeemed. Fair value remeasurements relate to the changes in fair value of the embedded call options in the Group's $550m 9.0% senior secured notes.

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

	Three months to 30 April		Year to 30 April	
	2013	2012	2013	2012
	£m	£m	£m	£m
Amortisation of intangibles	1.9	1.0	5.8	3.1
Charged in arriving at operating profit	1.9	1.0	5.8	3.1
Investment income	-	(7.3)	-	(7.3)
Interest expense	-	-	25.4	-
Charged in arriving at profit before taxation	1.9	(6.3)	31.2	(4.2)
Taxation	(0.7)	2.6	(11.9)	1.9
	1.2	(3.7)	19.3	(2.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Financing costs

	Three months to 30 April 2013 £m	Three months to 30 April 2012 £m	Year to 30 April 2013 £m	Year to 30 April 2012 £m
Investment income:				
Expected return on assets of defined benefit pension plan	(1.0)	(1.1)	(4.2)	(4.2)
Interest expense:				
Bank interest payable	4.6	4.0	18.0	16.9
Interest payable on second priority senior secured notes	5.3	7.8	22.8	31.1
Interest payable on finance leases	-	-	0.2	0.2
Other interest payable	-	-	0.4	-
Non-cash unwind of discount on defined benefit pension plan liabilities	0.7	0.7	3.0	3.0
Non-cash unwind of discount on provisions	0.4	0.4	1.3	1.3
Amortisation of deferred costs of debt raising	0.5	0.6	2.1	2.4
Total interest expense	11.5	13.5	47.8	54.9
Net financing costs before remeasurements	10.5	12.4	43.6	50.7
Exceptional items	-	-	18.0	-
Fair value remeasurements	-	(7.3)	7.4	(7.3)
Net financing costs	10.5	5.1	69.0	43.4

6. Taxation

The tax charge for the period has been computed using an effective rate for the year of 39% in the US (2012: 39%) and 24% in the UK (2012: 27%). The blended effective rate for the Group as a whole is 36% (2012: 34%).

The tax charge of £88.6m (2012: £44.4m) on the underlying pre-tax profit of £246.7m (2012: £130.6m) can be explained as follows:

	Year to 30 April 2013 £m	Year to 30 April 2012 £m
Current tax		
- current tax on income for the year	12.0	8.1
- adjustments to prior years	(0.6)	(0.4)
	11.4	7.7
Deferred tax		
- origination and reversal of temporary differences	77.7	37.7
- adjustments to prior years	(0.5)	(1.0)
	77.2	36.7
Tax on underlying activities	88.6	44.4
Comprising:		
- UK tax	10.8	10.1
- US tax	77.8	34.3
	88.6	44.4

In addition, the tax credit of £11.9m (2012: charge of £1.9m) on exceptional items (including amortisation of intangibles and fair value remeasurements) of £31.2m (2012: £4.2m) consists of a deferred tax credit of £0.5m (2012: £0.5m) relating to the UK and £11.4m (2012: charge of £2.4m) relating to the US.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Earnings per share

Basic and diluted earnings per share for the three and twelve months ended 30 April 2013 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held in treasury and by the ESOT over which dividends have been waived). Diluted earnings per share is computed using the result for the relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive).

These are calculated as follows:

		Three months to 30 April		Year to 30 April	
		2013	2012	2013	2012
Profit for the financial period (£m)		34.1	23.5	138.8	88.5
Weighted average number of shares (m)	- basic	500.6	498.8	500.1	498.3
	- diluted	507.3	509.7	507.6	511.2
Basic earnings per share		6.8p	4.7p	27.7p	17.8p
Diluted earnings per share		6.7p	4.6p	27.3p	17.3p

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

	Three months to 30 April		Year to 30 April	
	2013	2012	2013	2012
Basic earnings per share	6.8p	4.7p	27.7p	17.8p
Exceptional items, amortisation of intangibles and fair value remeasurements	0.4p	(1.2p)	6.3p	(0.9p)
Tax on exceptional items, amortisation and remeasurements	(0.2p)	0.5p	(2.4p)	0.4p
Underlying earnings per share	7.0p	4.0p	31.6p	17.3p

8. Dividends

During the year, a final dividend in respect of the year ended 30 April 2012 of 2.5p (2011: 2.07p) per share and an interim dividend for the year ended 30 April 2013 of 1.5p (2012: 1.0p) per share were paid to shareholders costing £20.0m (2012: £15.3m).

9. Property, plant and equipment

	2013		2012	
	Rental equipment	Total	Rental equipment	Total
Net book value	£m	£m	£m	£m
At 1 May	1,118.4	1,263.4	914.5	1,036.2
Exchange difference	38.4	42.5	22.4	25.0
Reclassifications	(1.2)	-	(0.6)	-
Acquisitions	10.9	12.1	2.1	2.8
Additions	521.0	580.4	426.2	476.4
Disposals	(78.4)	(84.8)	(71.3)	(77.2)
Depreciation	(201.3)	(229.0)	(174.9)	(199.8)
At 30 April	1,407.8	1,584.6	1,118.4	1,263.4

10. Share capital and reserves

Ordinary shares of 10p each:

	2013 Number	2012 Number	2013 £m	2012 £m
Authorised	900,000,000	900,000,000	90.0	90.0
Allotted, called up and fully paid	553,325,554	553,325,554	55.3	55.3

At 30 April 2013, 50m (2012: 50m) shares were held by the Company and a further 2.8m (2012: 4.6m) shares were held by the Company's Employee Share Ownership Trust.

11. Notes to the cash flow statement

a) Cash flow from operating activities

	Year to 30 April 2013 £m	2012 £m
Operating profit before exceptional items and amortisation	290.3	181.3
Depreciation	229.0	199.8
EBITDA before exceptional items	519.3	381.1
Profit on disposal of rental equipment	(14.4)	(9.4)
Profit on disposal of other property, plant and equipment	(1.4)	(1.1)
Increase in inventories	(2.4)	(0.4)
Increase in trade and other receivables	(25.4)	(20.2)
Increase in trade and other payables	22.7	12.1
Exchange differences	0.2	-
Other non-cash movements	2.7	2.5
Cash generated from operations before exceptional items and changes in rental equipment	501.3	364.6

11. Notes to the cash flow statement (continued)

b) Analysis of net debt

Net debt consists of total borrowings less cash and cash equivalents. Borrowings exclude accrued interest. Foreign currency denominated balances are retranslated to pounds sterling at rates of exchange ruling at the balance sheet date.

	1 May 2012 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	30 April 2013 £m
Cash	(23.4)	(0.1)	3.2	-	(20.3)
Debt due within 1 year	2.1	-	(0.6)	0.7	2.2
Debt due after 1 year	875.6	39.1	111.2	6.3	1,032.2
Total net debt	854.3	39.0	113.8	7.0	1,014.1

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

c) Acquisitions

	Year to 30 April	
	2013 £m	2012 £m
Cash consideration paid	33.8	21.9

Sunbelt acquired a number of subsidiaries in the year; details of these are provided in note 12.

12. Acquisitions

During the year, Sunbelt completed the following acquisitions:

i) 20 November 2012 – the entire business and assets of JMR Industries, Ltd. ('JMR') for an initial consideration of £20.1m ($32m) with deferred consideration of up to $12m payable over the next three years depending on future profitability. JMR is a single location energy-related business, renting and selling equipment into the oil and gas industry.

ii) 28 December 2012 – the entire business and assets of Southern Boom & Scissor, Inc. ('SBS') for a cash consideration of £2.6m ($4.2m). SBS rents equipment to the convention services industry.

iii) 1 February 2013 – substantially all of the assets of Milwaukee High Lift, Inc. and Madison High Lift, Inc. (together 'MHL') for a cash consideration of £4.3m ($6.7m). MHL's business focuses exclusively on aerial work platform rentals.

iv) 11 March 2013 - the entire business and assets of Raider Pumping Services, L.P. ('Raider') for an initial consideration of £3.4m ($5.1m) with deferred consideration of up to $1.5m payable over the next three years depending on future profitability. Raider is a single location water transfer business focusing on the movement of water surrounding drilling sites in the Eagle Ford Shale basin in Texas.

v) 2 April 2013 – the entire issued share capital of Mid-Mountain Machinery, Inc. ('MMM') for a cash consideration of £3.4m ($5.1m). MMM is a single location equipment rental business located in Spokane, Washington.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group. The fair value adjustments for the MMM acquisition have been determined provisionally at the balance sheet date.

12. Acquisitions (continued)

	Acquirees' book value £m	Fair value to Group £m
Net assets acquired		
Trade and other receivables	4.5	4.5
Inventory	0.3	0.4
Property, plant and equipment		
- rental equipment	9.8	10.9
- other assets	1.2	1.1
Cash and cash equivalents	0.1	0.1
Creditors	(0.2)	(0.2)
Deferred tax	-	(0.7)
Intangible assets (distribution and non-compete agreements and customer relationships)	-	14.8
	15.7	30.9
Consideration:		
- cash paid		33.8
- deferred consideration payable in cash		7.7
		41.5
Goodwill		10.6

Trade receivables at acquisition were £4.5m at fair value, with no provision for debts which may not be collected.

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the benefits the Group expects to derive from the acquisitions. None of the goodwill is expected to be deductible for income tax purposes.

JMR's revenue and operating profit in the period from the date of acquisition to 30 April 2013 were £10m ($16m) and £3m ($5m) respectively. Had the acquisition taken place on 1 May 2012 then Group reported revenue and operating profit for the year to 30 April 2013 would have been higher by £21m ($32m) and £6m ($9m) respectively. The contribution to revenue and operating profit of the remaining acquisitions completed in the year was not material.

Deferred consideration of up to $12m relating to JMR and up to $1.5m relating to Raider is payable contingent on the acquirees meeting or exceeding certain earnings thresholds over the next three years. The fair value of the deferred consideration of £7.7m reflects management's expectation of the likelihood of the earnings targets being achieved and discounted at the Group's cost of debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Contingent liabilities

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

During the year, the Joint Committee on Taxation confirmed the terms of the preliminary agreement reached with the IRS Appeals team in relation to the audits of the tax returns of the Group's US subsidiaries for the four years ended 30 April 2009 and the audits are now closed. There is no significant impact on the financial statements as a result of the conclusion of these audits.

14. Events after the balance sheet date

On 10 May 2013, A-Plant acquired the entire issued share capital of Accession Group Limited ("Accession"), including its principal trading subsidiary Eve Trakway Limited for an initial consideration of £28m with deferred consideration of up to £7m payable over the next year depending on profitability. Accession, which is based in Derbyshire and has seven locations across the United Kingdom, is a specialist rental provider of temporary access solutions and traffic management to the events and industrial sectors.

In the year ended 31 March 2013, Accession Group Limited reported revenue of £34m and profit before tax of £4m. This period benefited from a significant amount of Olympics and Paralympic Games related work.

REVIEW OF FOURTH QUARTER, BALANCE SHEET AND CASH FLOW

Fourth quarter	Revenue		EBITDA		Operating profit	
	2013	2012	2013	2012	2013	2012
Sunbelt in $m	451.9	376.6	169.9	124.3	94.9	61.1
Sunbelt in £m	294.9	237.2	111.3	78.3	62.4	38.4
A-Plant	52.7	50.6	13.9	12.6	3.1	1.9
Group central costs	-	-	(2.7)	(2.2)	(2.8)	(2.3)
	347.6	287.8	122.5	88.7	62.7	38.0
Net financing costs					(10.5)	(12.4)
Profit before tax, exceptional items, remeasurements and amortisation					**52.2**	**25.6**
Fair value remeasurements					-	7.3
Amortisation					(1.9)	(1.0)
Total Group profit before taxation					50.3	31.9
Margins						
Sunbelt			*37.6%*	*33.0%*	*21.0%*	*16.2%*
A-Plant			*26.5%*	*24.8%*	*5.9%*	*3.6%*
Group			*35.2%*	*30.8%*	*18.0%*	*13.2%*

Fourth quarter results reflect the continued strong momentum in the business. Group revenue increased 21% (17% at constant rates) with Sunbelt's rental revenue growing 23% to $398m (2012: $323m). This comprised an 18% increase in average fleet on rent and a 6% higher yield. In the UK, A-Plant's fourth quarter rental revenue grew by 11% to £47m (2012: £43m) including a 14% growth in average fleet on rent offset by a 1% yield decline, principally due to a change in fleet mix.

Costs remain under close control in both businesses as we continue to benefit from the business improvement programmes initiated during the recession. As a result, and with the benefit of operational gearing, both businesses improved fourth quarter operating profit significantly.

Group pre-tax profit before fair value remeasurements and amortisation doubled to £52m (2012: £26m). This reflected the operating profit growth and lower net financing costs of £11m (2012: £12m). After £1.9m of intangible amortisation, the statutory profit before tax was £50m (2012: £32m).

Balance sheet

Fixed assets

Capital expenditure in the year was £580m (2012: £476m) with £521m invested in the rental fleet (2012: £426m). Capital expenditure by division is as follows:

		2013		2012
	Replacement	Growth	Total	Total
Sunbelt in $m	330.3	383.4	713.7	596.2
Sunbelt in £m	212.2	246.3	458.5	367.2
A-Plant	50.7	11.8	62.5	59.0
Total rental equipment	262.9	258.1	521.0	426.2
Delivery vehicles, property improvements and IT equipment			59.4	50.2
Total additions			580.4	476.4

Expenditure on rental equipment was 90% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment.

US demand remained strong and, as a result, $383m of rental equipment capital expenditure was spent on growth while $330m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that maintenance capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2013 was 32 months (2012: 37 months) on a net book value basis. Sunbelt's fleet had an average age of 30 months (2012: 36 months) while A-Plant's fleet had an average age of 40 months (2012: 41 months).

	Rental fleet at original cost					
	30 April 2013	30 April 2012	LTM average	LTM rental revenue	LTM dollar utilisation	LTM physical utilisation
Sunbelt in $m	2,868	2,453	2,701	1,611	60%	71%
Sunbelt in £m	1,843	1,511	1,735	1,023	60%	71%
A-Plant	369	358	375	183	49%	69%
	2,212	1,869	2,110	1,206		

Dollar utilisation is defined as rental revenue divided by average fleet at original (or "first") cost and, in the year ended 30 April 2013, was 60% at Sunbelt (2012: 58%) and 49% at A-Plant (2012: 48%). Physical utilisation is time-based utilisation, which is calculated as the daily average of the original cost of equipment on rent as a percentage of the total value of equipment in the fleet at the measurement date. In the year ended 30 April 2013, physical utilisation was 71% in Sunbelt (2012: 70%) and 69% at A-Plant (2012: 65%). At Sunbelt, physical utilisation is measured for equipment with an original cost in excess of $7,500 which comprised approximately 93% of its fleet at 30 April 2013.

Trade receivables

Receivable days at 30 April were 44 days (2012: 44 days). The bad debt charge for the year ended 30 April 2013 as a percentage of total turnover was 0.7% (2012: 0.7%). Trade receivables at 30 April 2013 of £185m (2012: £149m) are stated net of provisions for bad debts and credit notes of £16m (2012: £14m) with the provision representing 7.8% (2012: 8.5%) of gross receivables.

Trade and other payables

Group payable days were 67 days in 2013 (2012: 70 days) with capital expenditure-related payables, which have longer payment terms, totalling £130m (2012: £133m). Payment periods for purchases other than rental equipment vary between 7 and 60 days and for rental equipment between 30 and 120 days.

Cash flow and net debt

	Year to 30 April	
	2013	2012
	£m	£m
EBITDA before exceptional items	519.3	381.1
Cash inflow from operations before exceptional items and changes in rental equipment	501.3	364.6
*Cash conversion ratio**	*96.5%*	*95.7%*
Replacement rental capital expenditure	(270.6)	(222.4)
Payments for non-rental capital expenditure	(58.3)	(49.9)
Rental equipment disposal proceeds	87.6	83.4
Other property, plant and equipment disposal proceeds	7.9	6.8
Tax (net)	(6.8)	(7.4)
Financing costs	(41.5)	(49.1)
Cash inflow before growth capex and payment of exceptional costs	**219.6**	**126.0**
Growth rental capital expenditure	(253.6)	(135.4)
Exceptional costs	(15.8)	(3.3)
Total cash used in operations	**(49.8)**	**(12.7)**
Business acquisitions	(33.8)	(21.9)
Total cash absorbed	**(83.6)**	**(34.6)**
Dividends	(20.0)	(15.3)
Purchase of own shares by the ESOT	(10.2)	(3.5)
Increase in net debt	**(113.8)**	**(53.4)**

* 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 payment of exceptional costs and net investment in the rental fleet increased by 37% to £501m (2012: £365m). The cash conversion ratio for the year was 97% (2012: 96%).

Total payments for capital expenditure (rental equipment and other PPE) during the year were £583m (2012: £408m). Disposal proceeds received totalled £96m, giving net payments for capital expenditure of £487m in the year (2012: £318m). Financing costs paid totalled £42m (2012: £49m) while net tax payments were £7m (2012: £7m). The decrease from last year in financing costs paid reflects the benefit of lower costs following the new $500m bond issue and a small benefit from the change in the timing of semi-annual interest payments on the new bond.

Accordingly, in the year the Group generated £220m (2012: £126m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet. After growth capital expenditure, exceptional costs and business acquisitions, there was a net cash outflow of £84m (2012: £35m).

Net debt

	2013	2012
	£m	£m
First priority senior secured bank debt	716.7	539.9
Finance lease obligations	2.9	3.8
6.5% second priority senior secured notes, due 2022	314.8	-
9% second priority senior secured notes, due 2016	-	334.0
	1,034.4	877.7
Cash and cash equivalents	(20.3)	(23.4)
Total net debt	1,014.1	854.3

Net debt at 30 April 2013 was £1,014m (30 April 2012: £854m) with the increase since April reflecting principally the net cash outflow set out above and £39m of currency translation effect. The Group's EBITDA for the year ended 30 April 2013 was £519m and the ratio of net debt to EBITDA was 2.0 times at 30 April 2013 (2012: 2.2 times).

Under the terms of our asset-based senior bank facility, $1.8bn is committed until March 2016, whilst the new $500m senior secured notes mature in July 2022. Our debt facilities therefore remain committed for the long term, with an average of 5 years remaining at 30 April 2013. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 4.1%. The terms of the new $500m senior secured notes are similar to the redeemed $550m notes with financial performance covenants only measured at the time new debt is raised.

There are two financial performance covenants under the asset-based first priority senior bank facility:

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

These covenants do not, however, apply when excess availability (the difference between the borrowing base and net facility utilisation) exceeds $216m. At 30 April 2013 availability under the bank facility was $667m ($516m at 30 April 2012), with an additional $262m of suppressed availability meaning that covenants were not measured at 30 April 2013 and are unlikely to be measured in forthcoming quarters.

As a matter of good practice, we calculate the covenant ratios each quarter. At 30 April 2013, as a result of the significant investment in our rental fleet, the fixed charge ratio, as expected, did not meet the covenant requirement whilst the leverage ratio did so comfortably. The fact the fixed charge ratio is below 1.1 times does not cause concern given the strong availability and management's ability to flex capital expenditure downwards at short notice.

Financial risk management

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

<u>Market risk</u>

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

Interest rate risk

The Group has fixed and variable rate debt in issue with 31% of the drawn debt at a fixed rate as at 30 April 2013. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result, the carrying value of fixed rate debt is unaffected by changes in credit conditions in the debt markets and there is therefore no exposure to fair value interest rate risk. The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the senior secured credit facility. The interest rates currently applicable to this variable rate debt are LIBOR as applicable to the currency borrowed (US dollars or pounds) plus 200bp.

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 2013, the Group had no such swap agreements outstanding. The Group may, at times, hold cash and cash equivalents, which earn interest at a variable rate.

Currency exchange risk

Currency exchange risk is limited to translation risk as there are no transactions in the ordinary course of business that take place between foreign entities. The Group's reporting currency is the pound sterling. However, a majority of our assets, liabilities, revenue and costs is denominated in US dollars. The Group has arranged its financing such that, at 30 April 2013, 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. At 30 April 2013, dollar denominated debt represented approximately 71% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 30 April 2013, a 1% change in the US dollar exchange rate would impact pre-tax profit by £2m.

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

Credit risk

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

Liquidity risk

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

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

In addition to the strong free cash flow from normal trading activities, additional liquidity is available through the Group's ABL facility. At 30 April 2013, excess availability under the $1.8bn facility was $667m (£429m).

Principal risks and uncertainties

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

Economic conditions

Potential impact
In the longer term, there is a link between demand for our services and levels of economic activity. The construction industry, from which we earn the majority of our revenue, is cyclical and typically lags the general economic cycle by between six and 18 months. Our performance is currently ahead of the economic cycle and we therefore expect to see further upside as the economy returns to growth. However, this recovery could be derailed by further economic shocks which could affect demand for our services.

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

Competition

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

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

Financing

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

Mitigation
- Maintain conservative (below 2 times) net debt to EBITDA leverage which helps minimise our refinancing risk.
- Maintain long debt maturities – currently five years.
- Use of asset-based senior facility means none of our debt contains quarterly financial covenants when availability under the facility ($667m at year end) exceeds $216m.

Business continuity

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

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

People

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

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

Health and safety

Potential impact
We need to comply with laws and regulations governing occupational health and safety matters. Furthermore, accidents could happen which might result in injury to an individual, claims against the Group and damage to our reputation.

Mitigation
- Maintain appropriate health and safety policies and procedures regarding the need to comply with laws and regulations and to reasonably guard our employees against the risk of injury.
- Induction and training programmes reinforce health and safety policies.

- Programmes to support our customers exercising their responsibility to their own workforces when using our equipment.

Compliance with laws and regulations

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

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

Environmental

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

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

OPERATING STATISTICS

	Profit centre numbers		Staff numbers	
	2013	2012	2013	2012
Sunbelt	388	376	7,141	6,605
A-Plant	106	109	1,934	1,939
Corporate office	-	-	10	11
Group	494	485	9,085	8,555

Sunbelt's rental store number includes 30 Sunbelt at Lowes stores at 30 April 2013 (40 at 30 April 2012).