Ashtead group

4 September 2007

Unaudited results for the first quarter ended 31 July 2007

Financial summary

	First quarter 2007 £m	First quarter 2006 £m	Growth At actual rates %	Growth At constant rates[1] %
Revenue	252.5	175.7	+44%	+52%
Underlying operating profit[1]	49.7	35.0	+42%	+52%
Underlying profit before taxation[1]	30.7	24.3	+26%	+35%
Underlying earnings per share[1] - basic	3.6p	3.8p	-6%	nil%
- cash tax	4.9p	4.3p	+12%	+19%
Profit before taxation	30.1	8.6	n/a	n/a
Basic earnings per share	3.2p	0.2p	n/a	n/a

[1] See explanatory notes below

Highlights

- Continued strong profit growth in all three divisions with underlying operating profit up 52% at constant exchange rates.
- Underlying profit before tax grew 35% whilst underlying basic earnings per share (reflecting the additional equity issued to fund last year's NationsRent acquisition) matched last year, measured in each case at constant exchange rates.
- Sunbelt's Q1 underlying operating profit grew by 25% on a pro forma basis[1] to $84.8m with pro forma operating margins up from 16.7% to 21.8%.
- A-Plant continues to deliver good growth with pro forma operating profits up 45% to £7.0m (2006 - £4.8m).

Ashtead's chief executive, Geoff Drabble, commented:

"We are pleased to report a strong performance in the first quarter as we continue to benefit from good market conditions in all three divisions. In Sunbelt we again delivered significant growth in pro forma margins and profits reflecting the integration cost savings and the progress made in driving growth in dollar utilisation[1] at the acquired NationsRent stores.

A-Plant continues to progress based upon good revenue growth and the initial benefits from the profit centre rationalisation undertaken in the fourth quarter of last year.

We were also pleased to have delivered sufficient earnings improvement in the combined business to bring underlying earnings per share, calculated on a much larger equity base, to last year's level in only the third full quarter following the acquisition.

Despite the recent uncertainty in global equity and debt markets, the key economic indicators for our primary markets, US and UK non-residential construction, continue to indicate a favourable growth outlook. Current physical utilisation is also strong in both markets.

Looking forward, given the ongoing integration benefits at Sunbelt and the continuing improvement in pro forma dollar utilisation as well as the strong performance in A-Plant and Ashtead Technology, we expect to report further good progress."

Contacts:

Geoff Drabble	Chief executive	)	020 7726 9700
Ian Robson	Finance director	)	
Brian Hudspith	Maitland		020 7379 5151

Explanatory notes

a) Underlying 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 4. The reconciliation of underlying earnings per share and underlying cash tax earnings per share to basic earnings per share is shown in note 7 to the attached financial information.

b) Pro forma basis includes the NationsRent and Lux Traffic acquisitions throughout both periods. For this purpose the pre-acquisition results of NationsRent have been derived from its reported financial performance under US GAAP adjusted to exclude the large profits on disposal of rental equipment it reported following the application of US "fresh start" accounting principles and to include an estimated depreciation charge under Ashtead's depreciation policies and methods.

c) Constant rates assumes that US dollar amounts for both periods were consolidated and translated at the average exchange rate applied in the period ended 31 July 2007.

d) Dollar utilisation is defined as last twelve months rental and rental related revenues divided by average original or "first" cost of rental equipment.

Overview

The quarter saw continuing emphasis on driving the operational performance of all three divisions.

The 25% improvement in Sunbelt's pro forma first quarter profits is very encouraging. Sunbelt's fleet has now been significantly reconfigured and was on average 3% smaller than the combined fleet in the corresponding period last year. We were therefore pleased to have maintained Sunbelt's rental revenue whilst focussing principally on margin improvement and raising the physical utilisation of its fleet.

At 29 August 2007, Sunbelt's physical utilisation was 71% compared to 72% for the Sunbelt fleet alone at the same date last year. With this current strong physical utilisation, we are now again investing to grow Sunbelt's fleet which we expect to allow us to drive rental revenue growth and continued margin improvement in future periods.

A-Plant's programme to enhance its profits and return on investment has continued and it has once again delivered strong revenue and profit growth. Its focus on growing revenue by providing a range of plant and tools to our contractor customer base together with the restructured profit centre infrastructure continues to improve margins.

We have also continued to invest in Ashtead Technology to support positive market conditions contributing to its good revenue and profit growth.

A strong first quarter

Good progress continued in the quarter to July 2007, sustaining the momentum established in the second half of last year.

- Revenue for the quarter was £252.5m up 43.7% on last year.

- Underlying operating profit for the quarter grew 42.0% on the prior year at actual exchange rates to £49.7m whilst underlying profit before tax grew 26.3% to £30.7m (2006 - £24.3m).

- Profit before tax, which is stated after amortisation of acquired intangibles was £30.1m. There were no exceptional items in the quarter in comparison with the prior year position where the pre-tax profit of £8.6m was stated after £15.7m of exceptional items.

- Basic earnings per share for the quarter were 3.2p (2006 - 0.2p) whilst underlying earnings per share were 3.6p (2006 - 3.8p). On a cash tax basis underlying earnings per share were 4.9p (2006 - 4.3p).

- Capital expenditure in the first quarter was £124.2m (2006 - £110.5m).

- At 31 July 2007, net debt was £894.4m (30 April 2007 - £915.9m) whilst the ratio of net debt to pro forma LTM EBITDA was 2.6 times (30 April 2007 – 2.7 times). Availability under the $1.75bn asset based loan facility was $671m ($589m at 30 April 2007).

- For the twelve months ended 31 July 2007, Group pro forma revenues were £1,005.3m, pro forma underlying EBITDA was £348.7m and pro forma underlying operating profit was £169.7m. Approximately $37m of the $48m estimated annual NationsRent integration savings are included in the pro forma LTM results. The remaining $11m will be realised in Q2 (principally) and Q3 of the current year. The pro forma LTM EBITDA and operating profit margins are 34.7% and 16.9% respectively.

Sunbelt

	2007 $m	2006 $m	Growth
Revenue			
As reported	388.5	234.0	+66%
NationsRent	-	171.3	
Pro forma combined	388.5	405.3	-4%
Underlying operating profit			
As reported	84.8	57.1	+49%
NationsRent	-	10.7	
Pro forma combined	84.8	67.8	+25%
Pro forma operating profit margin	21.8%	16.7%	

Sunbelt's first quarter performance was in line with our expectations as we continued to realise the benefits of the NationsRent acquisition with the actions taken to lower costs and increase dollar utilisation driving improved profitability.

As planned, Sunbelt's revenue growth in the quarter was limited by both our curtailment of low margin sales of new equipment previously undertaken by NationsRent and by the reconfiguration of the acquired fleet towards higher returning product areas which tend to be less seasonal and cyclical. Excluding sales revenues, first quarter rental and rental related revenues grew 0.2% to $362.0m.

Pro forma dollar utilisation, which is measured on a rolling twelve months basis to eliminate seasonal effects, was 63% at 31 July compared to 62% at 30 April 2007. Pro forma fleet size was on average 3% smaller in the first quarter than in the equivalent period last year as we focused on raising the time utilisation of the acquired fleet. First quarter time utilisation averaged 69% close to the 71% achieved by Sunbelt alone a year ago.

A-Plant

	2007 £m	2006 £m	Growth
Revenue			
As reported	52.1	43.9	+19%
Lux Traffic	-	5.4	
Pro forma combined	52.1	49.3	+6%
Underlying operating profit			
As reported	7.0	4.5	+56%
Lux Traffic	-	0.3	
Pro forma combined	7.0	4.8	+45%
Pro forma operating profit margin	13.5%	9.8%	

A-Plant's pro forma revenue growth of 6% was again amongst the highest in its peer group. This growth reflected a 4% increase in average fleet size, a 2% increase in utilisation to a record 72% for the quarter (2006 - 71%) and broadly unchanged rental rates. That this revenue growth was achieved in the period immediately following the store rationalisation programme at the end of last year is a testament to the way A-Plant managed that programme and the strength of the market.

Consequently the good revenue increase drove first quarter pro forma operating margins to 13.5% (2006 – 9.8%) and produced growth of 45% in pro forma operating profits to £7.0m (2006 - £4.8m).

Ashtead Technology

	2007 £m	2006 £m	Growth
Revenue	6.3	5.5	+15%
Operating profit	2.3	1.3	+79%
Operating profit margin	37.1%	23.7%	

Both Ashtead Technology's offshore and onshore markets remain good and we have continued to invest in order to support these markets. Whilst prior year comparatives now also reflect good markets and quarterly are becoming more challenging, Ashtead Technology continues to deliver good revenue and profit growth.

Returns

Return on investment (underlying operating profit divided by net assets employed before debt, deferred tax and certain other non cash items), which is measured on a rolling twelve month basis to eliminate seasonal effects was 12.9% for the year ended 31 July 2007. RoI for Sunbelt was 13.7% whilst A-Plant's RoI was 9.6% and continues to improve. After tax return on equity for the twelve months to 31 July was 14.9%.

Current trading and outlook

The first quarter of the fiscal year developed in line with our expectations with good profits growth in all three divisions.

Despite the recent uncertainty in global equity and debt markets, the key economic indicators for our primary markets, US and UK non-residential construction, continue to indicate a favourable growth outlook. Current physical utilisation is also strong in both markets.

Looking forward, given the ongoing integration benefits at Sunbelt and the continuing improvement in pro forma dollar utilisation as well as the strong performance in A-Plant and Ashtead Technology, we expect to report further good progress.

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Geoff Drabble and Ian Robson will host a conference call for equity analysts at 9.30am on Tuesday 4 September and a further conference call for bondholders at 3pm (10am EST) on the same day. The analysts' call will be webcast live via the Company's website at www.ashtead-group.com and there will also be a replay available from shortly after the call concludes. A copy of the slide presentation used for the call will also be available on the Company's website. Analysts and bondholders have already been invited to participate in the calls but anyone not having received dial-in details should contact the Company's PR advisers, Maitland (Jane Franklin) at 020 7379 5151.

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2007

	2007			2006		
	Before exceptionals & amortisation of intangibles	Exceptionals & amortisation of intangibles	Total	Before exceptionals & fair value remeasurements +	Exceptionals & fair value remeasurements +	Total
	£m	£m	£m	£m	£m	£m
Revenue	252.5	-	252.5	175.7	-	175.7
Staff costs	(78.0)	-	(78.0)	(53.3)	-	(53.3)
Other operating costs	(84.7)	-	(84.7)	(59.6)	(0.3)	(59.9)
Other income	4.2	-	4.2	2.2	-	2.2
EBITDA*	94.0	-	94.0	65.0	(0.3)	64.7
Depreciation	(44.3)	-	(44.3)	(30.0)	-	(30.0)
Amortisation of intangibles	-	(0.6)	(0.6)	-	-	-
Operating profit	49.7	(0.6)	49.1	35.0	(0.3)	34.7
Investment income	1.1	-	1.1	1.0	-	1.0
Interest expense	(20.1)	-	(20.1)	(11.7)	(15.4)	(27.1)
Net financing costs	(19.0)	-	(19.0)	(10.7)	(15.4)	(26.1)
Profit on ordinary activities before taxation	30.7	(0.6)	30.1	24.3	(15.7)	8.6
Taxation:						
- current	(3.8)	-	(3.8)	(5.4)	-	(5.4)
- deferred	(7.1)	(1.6)	(8.7)	(2.3)	0.1	(2.2)
	(10.9)	(1.6)	(12.5)	(7.7)	0.1	(7.6)
Profit attributable to equity shareholders	19.8	(2.2)	17.6	16.6	(15.6)	1.0
Basic earnings per share	3.6p	(0.4p)	3.2p	3.8p	(3.6p)	0.2p
Diluted earnings per share	3.6p	(0.4p)	3.2p	3.7p	(3.5p)	0.2p

* EBITDA is presented here as an additional performance measure as it is commonly used by investors and lenders.
+ Fair value remeasurements relate to embedded derivatives in long-term debt.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	2007	2006
	£m	£m
Net profit for the period	17.6	1.0
Foreign currency translation differences	(2.1)	(4.1)
Total recognised income and expense for the period	15.5	(3.1)

CONSOLIDATED MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2007	2006
	£m	£m
Total recognised income and expense for the period	15.5	(3.1)
Issue of ordinary shares, net of expenses	-	0.6
Credit in respect of share based payments	-	0.3
Own shares vested/(acquired) by ESOT	0.2	(2.5)
Net increase in equity shareholders' funds	15.7	4.7
Opening equity shareholders' funds	396.7	258.3
Closing equity shareholders' funds	412.4	253.6

CONSOLIDATED BALANCE SHEET AT 31 JULY 2007

	As at 31 July 2007	As at 31 July 2006	As at 30 April 2007
	£m	£m	£m
Current assets			
Inventories	23.7	14.0	24.2
Trade and other receivables	169.3	116.6	163.7
Current tax asset	-	-	2.0
Assets held for sale	5.5	-	10.3
Cash and cash equivalents	1.3	1.1	1.1
	199.8	131.7	201.3
Non-current assets			
Property, plant and equipment			
- rental equipment	966.4	615.2	920.6
- other assets	129.5	90.7	127.4
	1,095.9	705.9	1,048.0
Intangible assets - brand names and other acquired intangibles	8.8	-	9.7
- goodwill	285.2	145.1	289.6
Deferred tax asset	34.9	3.3	41.7
Defined benefit pension fund surplus	5.4	1.9	5.2
	1,430.2	856.2	1,394.2
Total assets	1,630.0	987.9	1,595.5
Current liabilities			
Trade and other payables	205.5	143.1	166.8
Current tax liabilities	2.2	4.8	0.7
Debt due in less than one year	8.4	10.1	9.0
Provisions	13.7	6.7	12.7
	229.8	164.7	189.2
Non-current liabilities			
Debt due in more than one year	887.3	490.3	908.0
Provisions	17.8	12.2	19.6
Deferred tax liabilities	82.7	67.1	82.0
	987.8	569.6	1,009.6
Total liabilities	1,217.6	734.3	1,198.8
Equity shareholders' funds			
Share capital	56.0	40.6	56.0
Share premium account	3.3	3.6	3.3
Non-distributable reserve	90.7	90.7	90.7
Own shares held in treasury through the ESOT	(8.5)	(6.7)	(8.7)
Cumulative foreign exchange translation differences	(32.3)	(21.3)	(30.2)
Distributable reserves	303.2	146.7	285.6
Total equity shareholders' funds	412.4	253.6	396.7
Total liabilities and equity shareholders' funds	1,630.0	987.9	1,595.5

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2007

	2007	2006
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items	85.3	57.7
Exceptional items paid	(5.4)	(0.3)
Cash generated from operations	79.9	57.4
Financing costs paid	(13.0)	(9.4)
Tax paid	(0.3)	(3.7)
Net cash from operating activities	66.6	44.3
Cash flows from investing activities		
Payments for property, plant and equipment	(88.6)	(70.3)
Proceeds on sale of property, plant and equipment	30.4	13.7
Net cash used in investing activities	(58.2)	(56.6)
Cash flows from financing activities		
Drawdown of loans	14.3	31.7
Redemption of loans	(20.1)	(15.0)
Capital element of finance lease payments	(1.9)	(2.4)
Purchase of own shares by the ESOT	(0.5)	(2.5)
Proceeds from issue of ordinary shares	-	0.6
Net cash (used in)/generated from financing activities	(8.2)	12.4
Increase in cash and cash equivalents	0.2	0.1
Opening cash and cash equivalents	1.1	1.0
Closing cash and cash equivalents	1.3	1.1

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements for the three months ended 31 July 2007 were approved by the directors on 3 September 2007. They have been prepared in accordance with relevant International Financial Reporting Standards ('IFRS') and the accounting policies set out in the Group's Annual Report and Accounts for the year ended 30 April 2007. They are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The statutory accounts for the year ended 30 April 2007 were prepared in accordance with relevant IFRS and have been mailed to shareholders and filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

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

	2007	2006
Average for the three months ended 31 July	2.00	1.85
At 31 July	2.03	1.87

2. Segmental analysis

	Revenue	Operating profit before exceptionals & amortisation	Exceptional items & amortisation	Operating profit
	£m	£m	£m	£m
2007				
Sunbelt	194.1	42.4	(0.5)	41.9
A-Plant	52.1	7.0	(0.1)	6.9
Ashtead Technology	6.3	2.3	-	2.3
Corporate items	-	(2.0)	-	(2.0)
	252.5	49.7	(0.6)	49.1
2006				
Sunbelt	126.3	30.8	(0.3)	30.5
A-Plant	43.9	4.5	-	4.5
Ashtead Technology	5.5	1.3	-	1.3
Corporate items	-	(1.6)	-	(1.6)
	175.7	35.0	(0.3)	34.7

NOTES TO THE INTERIM FINANCIAL STATEMENTS

3. Operating costs

	2007			2006		
	Operating profit before exceptionals & amortisation	Exceptional items & amortisation	Operating profit	Operating profit before exceptionals & amortisation	Exceptional items & amortisation	Operating profit
	£m	£m	£m	£m	£m	£m
Staff costs:						
Salaries	70.7	-	70.7	48.4	-	48.4
Social security costs	5.9	-	5.9	3.9	-	3.9
Other pension costs	1.4	-	1.4	1.0	-	1.0
	78.0	-	78.0	53.3	-	53.3
Other operating costs:						
Vehicle costs	18.1	-	18.1	13.9	-	13.9
Spares, consumables & external repairs	14.8	-	14.8	11.0	-	11.0
Facility costs	12.5	-	12.5	7.9	-	7.9
Other external charges	39.3	-	39.3	26.8	0.3	27.1
	84.7	-	84.7	59.6	0.3	59.9
Other income:						
Profit on disposal of fixed assets	(4.2)	-	(4.2)	(2.2)	-	(2.2)
Depreciation and amortisation:						
Depreciation	44.3	-	44.3	30.0	-	30.0
Amortisation of acquired intangibles	-	0.6	0.6	-	-	-
	44.3	0.6	44.9	30.0	-	30.0
	202.8	0.6	203.4	140.7	0.3	141.0

4. Exceptional items, amortisation and fair value remeasurements

'Exceptional items' are those items of financial performance that are material and non-recurring in nature. Amortisation relates to the periodic write off of acquired intangible assets. Non-cash fair value remeasurements relate to embedded derivatives within long-term debt instruments. 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. Exceptional items, amortisation and fair value remeasurements are excluded from underlying profit and earnings per share and are set out below:

	Three months to 31 July	
	2007	2006
	£m	£m
Acquisition integration costs	-	0.3
Taxation	1.8	-
Total exceptional items	1.8	0.3
Amortisation of acquired intangibles (net of £0.2m tax credit)	0.4	-
Fair value remeasurements of embedded derivatives	-	15.4
	2.2	15.7

The exceptional tax charge relates to the reduction in the UK deferred tax asset as a result of the recently enacted reduction in the statutory rate of UK corporation tax from 30% to 28%.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. Exceptional items, amortisation and fair value remeasurements (continued)

These items are presented in the income statement as follows:

	Three months to 31 July	
	2007	2006
	£m	£m
Other operating costs	-	0.3
Amortisation of acquired intangibles	0.6	-
Charged in arriving at operating profit	0.6	0.3
Net financing costs	-	15.4
Charged in arriving at profit before tax	0.6	15.7
Taxation	1.6	-
	2.2	15.7

5. Financing costs

	Three months to 31 July	
	2007	2006
	£m	£m
Investment income:		
Expected return on assets of defined benefit pension plan	1.1	1.0
Total investment income	1.1	1.0
Interest expense:		
Bank interest payable	9.3	4.7
Interest on second priority senior secured notes	8.9	5.3
Interest payable on finance leases	0.3	0.3
Non-cash unwind of discount on defined benefit pension plan liabilities	0.7	0.7
Non-cash unwind of discount on self insurance provisions	0.3	0.1
Amortisation of deferred costs of debt raising	0.6	0.6
	20.1	11.7
Fair value remeasurements of embedded derivatives in long-term debt	-	15.4
Total interest expense	20.1	27.1
Net financing costs before fair value remeasurements	19.0	10.7
Fair value remeasurements of embedded derivatives in long-term debt	-	15.4
Net financing costs	19.0	26.1

6. Taxation

The tax charge for the period has been computed using an estimated effective rate for the year of 40% in the US and 31% in the UK applied to the profit before tax and amortisation of acquired intangibles. The blended effective rate for the Group as a whole is 35%. In addition, an exceptional tax charge of £1.8m has been recognised in the quarter to reflect the reduction in the UK deferred tax asset which arises as a result of the reduction in the UK statutory corporation tax rate from 30% to 28% effective 1 April 2008 which was enacted in the 2007 Finance Act.

The tax charge of £12.5m comprises a charge for current tax of £3.8m and a charge for deferred tax of £8.7m of which £1.8m relates to the exceptional item described above. All of the charge relates to current year items and comprises £6.5m relating to the US, £6.0m to the UK and £nil to other jurisdictions.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

7. Earnings per share

Basic and diluted earnings per share for the three months ended 31 July 2007 have been calculated based on the profit for the relevant period and on the weighted average number of ordinary shares in issue during that period (excluding shares held by the ESOT over which dividends have been waived). Diluted earnings per share are 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 31 July	
		2007	2006
Profit for the financial period (£m)		17.6	1.0
Weighted average number of shares (m)	- basic	551.7	434.4
	- diluted	557.6	442.6
Basic earnings per share		3.2p	0.2p
Diluted earnings per share		3.2p	0.2p

The weighted average number of shares shown as being in issue in the prior year has been adjusted to take account of the bonus element of the rights issue on 29 August 2006.

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

	Three months to 31 July	
	2007	2006
Basic earnings per share	3.2p	0.2p
Exceptional items, intangible amortisation & fair value remeasurements	0.4p	3.6p
Underlying earnings per share	3.6p	3.8p
Other deferred tax	1.3p	0.5p
Cash tax earnings per share	4.9p	4.3p

NOTES TO THE INTERIM FINANCIAL STATEMENTS

8. Property, plant and equipment

Net book value	2007 Rental equipment £m	2007 Total £m	2006 Rental equipment £m	2006 Total £m
At 1 May	920.6	1,048.0	559.9	646.7
Exchange difference	(11.1)	(12.4)	(10.5)	(11.8)
Additions	113.8	124.2	100.4	110.5
Disposals	(18.6)	(19.6)	(8.6)	(9.5)
Depreciation	(38.3)	(44.3)	(26.0)	(30.0)
At 31 July	966.4	1,095.9	615.2	705.9

9. Called up share capital

Ordinary shares of 10p each

	2007 Number	2006 Number	2007 £m	2006 £m
Authorised	900,000,000	900,000,000	90.0	90.0
Allotted, called up and fully paid	559,973,028	405,776,875	56.0	40.6

Since 30 April 2007, 74,680 shares have been issued at an average price of 30.2p per share under the Company's share option plans raising £22,535.

10. Statement of changes in shareholders' equity

	Share capital £m	Share premium £m	Non distributable reserves £m	Own shares held in treasury (ESOT) £m	Cumulative foreign exchange translation differences £m	Distributable reserves £m	Total £m	31 Jul 2007 £m
Total recognised income and expense	-	-	-	-	(2.1)	17.6	15.5	(3.1)
Shares issued	-	-	-	-	-	-	-	0.6
Share based payments	-	-	-	-	-	-	-	0.3
Vesting of share awards	-	-	-	0.7	-	-	0.7	-
Own shares purchased	-	-	-	(0.5)	-	-	(0.5)	(2.5)
Net changes in shareholders' equity	-	-	-	0.2	(2.1)	17.6	15.7	(4.7)
Opening shareholders' equity	56.0	3.3	90.7	(8.7)	(30.2)	285.6	396.7	258.3
Closing shareholders' equity	56.0	3.3	90.7	(8.5)	(32.3)	303.2	412.4	253.6

NOTES TO THE INTERIM FINANCIAL STATEMENTS

11. Notes to the cash flow statement

	Three months to 31 July 2007 £m	Three months to 31 July 2006 £m
a) Cash flow from operating activities		
Operating profit	49.7	34.7
Depreciation and amortisation	44.3	30.0
Exceptional items	-	0.3
EBITDA before exceptional items	94.0	65.0
Profit on disposal of property, plant and equipment	(4.2)	(2.2)
Decrease/(increase) in inventories	0.1	(1.6)
Increase in trade and other receivables	(9.1)	(9.9)
Increase in trade and other payables	3.6	6.0
Exchange differences	0.2	0.1
Other non-cash movements	0.7	0.3
Cash generated from operations before exceptional items	85.3	57.7
b) Reconciliation to net debt		
Increase in cash in the period	(0.2)	(0.1)
(Decrease)/increase in debt through cash flow	(7.7)	14.3
Change in net debt from cash flows	(7.9)	14.2
Exchange difference	(14.2)	(10.1)
Non-cash movements:		
- deferred costs of debt raising	0.5	0.6
- capital element of new finance leases	0.1	1.0
Movement in net debt in the period	(21.5)	5.7
Opening net debt	915.9	493.6
Closing net debt	894.4	499.3

c) Analysis of net debt

	1 May 2007 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	31 July 2007 £m
Cash	(1.1)	-	(0.2)	-	(1.3)
Debt due within 1 year	9.0	(0.2)	(1.9)	1.5	8.4
Debt due after 1 year	908.0	(14.0)	(5.8)	(0.9)	887.3
Total net debt	915.9	(14.2)	(7.9)	0.6	894.4

NOTES TO THE INTERIM FINANCIAL STATEMENTS

12. Acquisitions

NationsRent Companies, Inc. ("NationsRent")

On 31 August 2006, Sunbelt acquired the entire issued share capital of NationsRent for a total initial consideration of US$591.5m plus acquisition costs.

As part of the NationsRent acquisition, the Group has also agreed to pay deferred contingent consideration of up to $89m. The amount of the deferred contingent consideration is linked to the Company's share price performance over the three years from 1 September 2006 to 31 August 2009. In the event that the Company's share price (measured on a five day average basis) rises by more than 22.2% above the reference price of 204p (as adjusted for the bonus element of the rights issue), contingent consideration becomes payable at the rate of $5m for every additional 1% rise in the share price up to a maximum of 40% above the reference price. Accordingly, deferred contingent consideration starts to become payable when the Company's share price reaches 250p with the maximum $89m being payable at 286p. The contingent consideration is payable on a quarterly basis in cash. It is not practicable to estimate reliably the amount of contingent consideration which will become payable and accordingly no provision has been made.

13. Contingent liabilities and contingent assets

There have been no significant changes in contingent liabilities from those reported at 30 April 2007. The Group remains subject to periodic legal claims in the ordinary course of its business. However, the claims outstanding at 31 July 2007 are not expected to have a significant impact on the Group's financial position.

14. Seasonality

Our business is 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 revenues 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.

Additionally, our equipment is used extensively in the recovery from natural disasters such as floods, wind and storm damage (including hurricanes), earthquakes etc. and the incidence of such events can impact the level of our revenues.

SEGMENTAL RESULTS AND REVIEW OF BALANCE SHEET AND CASH FLOW

Segmental results

Divisional results before exceptional items and amortisation of acquired intangibles for the three months ended 31 July 2007 are summarised below:

	Revenue		EBITDA		Operating profit	
	2007	2006	2007	2006	2007	2006
Sunbelt in $m	388.5	234.0	150.7	93.2	84.8	57.1
Sunbelt in £m	194.1	126.3	75.3	50.3	42.4	30.8
A-Plant	52.1	43.9	17.1	13.9	7.0	4.5
Ashtead Technology	6.3	5.5	3.6	2.4	2.3	1.3
Group central costs	-	-	(2.0)	(1.6)	(2.0)	(1.6)
	252.5	175.7	94.0	65.0	49.7	35.0
Net financing costs					(19.0)	(10.7)
Profit before tax, exceptionals and amortisation					30.7	24.3
Exceptional items and amortisation					(0.6)	(15.7)
Profit before taxation					30.1	8.6

Revenue increased 43.7% to £252.5m (2006 - £175.7m) in the three months ended 31 July 2007. This reflects the first time contribution from NationsRent partially offset by the limiting effect of the weak dollar which, in the quarter, declined 8.1% from $1.85 = £1 a year ago to $2.00 = £1. Underlying operating profit increased 42.0% to £49.7m (2006 - £35.0m). Profit before tax, exceptionals and amortisation increased 26.3% to £30.7m (2006 - £24.3m). After exceptional items and amortisation, profit before tax was £30.1m (2006 - £8.6m).

Balance sheet

Capital expenditure in the quarter was £124.2m of which £113.8m was invested in the rental fleet (2006 - £110.5m in total). Expenditure on rental equipment was 91.6% of total capital expenditure with the balance relating to our delivery vehicle fleet, property improvements and to computer equipment. Capital expenditure by division was as follows:

	31 July 2007			2006
	Growth	Maintenance	Total	Total
Sunbelt in $m	83.6	71.6	155.2	123.7
Sunbelt in £m	41.2	35.2	76.4	66.2
A-Plant	9.1	25.9	35.0	31.0
Ashtead Technology	1.7	0.7	2.4	3.2
Total rental equipment	52.0	61.8	113.8	100.4
Delivery vehicles, property improvements & computers			10.4	10.1
Total additions			124.2	110.5

Including expenditure on the NationsRent fleet reconfiguration, the Group spent £52.0m of its rental equipment capital expenditure on growth in the quarter whilst £61.8m was spent on replacing 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.

In the coming year gross capital expenditure is expected to be approximately £275m including approximately £50m of NationsRent fleet reconfiguration spend rolled over from 2006/7. Net of disposal proceeds, 2007/8 capital expenditure is expected to be approximately £225m.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 31 July 2007 was 29 months (2006 - 33 months) on a net book value basis. Sunbelt's fleet had an average age of 30 months (2006 - 35 months) comprising 36 months for aerial work platforms which have a longer life and 25 months for the remainder of its fleet and A-Plant's fleet had an average age of 24 months (2006 - 31 months).

The original cost of the Group's rental fleet and the pro forma dollar utilisation for the twelve months ended 31 July 2007 are shown below:

	Pro forma rental fleet at original cost			LTM rental	Dollar
	31 July 2007	30 April 2007	LTM average	revenues	utilisation
Sunbelt in $m	2,229	2,147	2,225	1,398	63%
Sunbelt in £m	1,097	1,074	1,111	698	63%
A-Plant	330	321	323	197	61%
Ashtead Technology	41	39	39	22	57%
	1,468	1,434	1,473	917	

Pro forma dollar utilisation at Sunbelt for the twelve months ended 31 July 2007 improved to 63% from 62% in the year ended 30 April 2007 and 59% in the year to April 2006 as Sunbelt focused on improving the previously low dollar utilisation in the acquired NationsRent profit centres. Dollar utilisation of 61% at A-Plant reflects the lower pricing (relative to equipment cost) prevalent in the competitive UK market and the higher average time utilisation it achieves.

Assets held for sale

This comprises the remaining NationsRent equipment identified as held for sale as part of the programme to reshape its fleet to contain a similar profile of higher returning assets to that of Sunbelt. The lower returning equipment was treated as an asset held for sale effective as of the acquisition date and the remaining items are expected to be disposed in the second quarter.

Trade receivables

Receivable days at 31 July 2007 were 49 days (2006 - 48 days). The bad debt charge for the three months ended 31 July 2007 as a percentage of total turnover was 0.5% (2006 - 0.5%).

Trade and other payables

Group payable days were 70 days in 2007 (2006 - 59 days). Capital expenditure related payables at 31 July 2007 totalled £87.5m (2006 - £69.1m). Payment periods for purchases other than rental equipment vary between 7 and 45 days and for rental equipment between 30 and 120 days.

Cash flow

Free cash flow (defined as the net cash inflow from operations less net maintenance capital expenditure, financing costs paid and tax paid) is summarised below:

	Three months to 31 July		LTM to 31 July	Year to 30 April
	2007	2006	2007	2007
	£m	£m	£m	£m
EBITDA before exceptional items	94.0	65.0	339.3	310.3
Cash inflow from operations before exceptional items	85.3	57.7	346.9	319.3
*Cash efficiency ratio**	*90.7%*	*88.8%*	*102.2%*	*102.9%*
Maintenance rental capital expenditure	(57.3)	(28.2)	(242.2)	(213.1)
Non-rental capital expenditure	(10.5)	(9.3)	(33.5)	(32.3)
Proceeds from sale of used rental equipment	30.4	13.7	95.2	78.5
Tax paid	(0.3)	(3.7)	(1.6)	(5.0)
Free cash flow before interest	47.6	30.2	164.8	147.4
Financing costs paid	(13.0)	(9.4)	(67.8)	(64.2)
Free cash flow after interest	**34.6**	**20.8**	**97.0**	**83.2**
Growth capital expenditure	(20.8)	(32.8)	(50.9)	(62.9)
Acquisitions and disposals	-	-	(327.2)	(327.2)
Issue of ordinary share capital	-	0.6	148.3	148.9
Dividends paid	-	-	(7.0)	(7.0)
Purchase of own shares by ESOT	(0.5)	(2.5)	(2.9)	(4.9)
Exceptional costs paid (net)	(5.4)	(0.3)	(73.9)	(68.8)
Reduction/(increase) in total debt	7.9	(14.2)	(216.6)	(238.7)

* Cash inflow from operations before exceptional items as a percentage of EBITDA before exceptional items.

First quarter cash inflow from operations increased 47.8% to £85.3m whilst the cash efficiency ratio was 90.7% (2006 - 88.8%). Net cash capital expenditure in the three months ended 31 July 2007 was broadly unchanged at £58.2m (2006 - £56.6m). Financing costs paid increased 38.3% to £13.0m reflecting interest on the additional debt assumed last year at the time of the NationsRent acquisition. Interest on the two senior notes issues is paid semi-annually in the second and fourth quarters explaining the large difference this quarter between the income statement interest charge and cash interest payments.

The Group continues to generate strong free cash flow after interest with £34.6m (2006 - £20.8m) generated in the three months to 31 July 2007. There were no acquisitions in the quarter whilst £5.4m of exceptional costs relating to the NationsRent acquisition were paid in the quarter, all of which were accrued at 30 April 2007. As a result £7.9m of net cash flow was generated in the quarter which was applied to reduce outstanding senior debt.

On a last twelve months basis, free cash flow before one time and discretionary items now reflects eleven months contribution from the acquired NationsRent stores and remains strong at £97.0m (£83.2m in the year ended 30 April 2007).

Net debt

	31 July 2007 £m	31 July 2006 £m	30 April 2007 £m
First priority senior secured bank debt	493.0	274.3	506.1
Finance lease obligations	19.9	21.4	22.0
12% second priority senior secured notes, due 2014	-	75.5	-
8.625% second priority senior secured notes, due 2015	118.7	129.2	120.6
9% second priority senior secured notes, due 2016	264.1	-	268.3
	895.7	500.4	917.0
Cash and cash equivalents	(1.3)	(1.1)	(1.1)
Total net debt	894.4	499.3	915.9

Group net debt reduced from £915.9m at 30 April 2007 to £894.4m at 31 July 2007 reflecting principally the impact of the weaker US dollar. The ratio of net debt to pro forma EBITDA was 2.6 times at 31 July 2007. Pro forma EBITDA for this purpose was £348.7m and includes NationsRent's EBITDA for the month of August excluding its profit on used equipment sales but not the pro forma effect of the $48m of integration cost savings, around $11m of which remain to be reflected in the pro forma results.

The Group's debt facilities are now committed for a weighted average period of approximately 6 years with the earliest significant maturity being in August 2011. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 8%, most of which is tax deductible in the US where the tax rate is 39%. Financial performance covenants under the two senior secured notes issues are measured only 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 and a fixed charge ratio comparing EBITDA less net capital expenditure to the sum of scheduled debt repayments, interest, tax and dividends paid). These covenants are not, however, required to be adhered to when availability (the difference between the borrowing base and facility utilisation) exceeds $125m. At 31 July 2007 availability under the bank facility was $671m ($589m at 30 April 2007).

Currency translation

Following the NationsRent acquisition approximately 99% of our debt is denominated in US dollars. At 31 July 2007 our dollar denominated debt represented approximately 86% of the value of our dollar denominated net assets (other than debt) providing a partial 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 estimated currency mix of our profits in the coming year and on current dollar debt levels and interest rates, every 1% change in the US dollar exchange rate would impact pro-forma pre-tax profit by 0.8%.

OPERATING STATISTICS

	Profit centre numbers			Staff numbers		
	31 July		30 April	31 July		30 April
	2007	2006	2007	2007	2006	2007
Sunbelt	451	210	445	7,531	4,330	7,524
A-Plant	201	193	201	2,385	2,091	2,424
Ashtead Technology	13	11	13	119	103	115
Corporate office	-	-	-	14	14	14
Group	665	414	659	10,049	6,538	10,077