4 September 2012

Unaudited results for the first quarter ended 31 July 2012

	2012	2011	Change Actual	Change At constant rates
	£m	£m	%	%
Underlying results[1]				
Revenue	325.0	268.6	+21%	+18%
EBITDA	129.3	93.9	+38%	+34%
Operating profit	73.8	46.2	+60%	+55%
Profit before taxation	61.4	33.8	+82%	+76%
Earnings per share	7.7p	4.3p	+82%	+76%
Statutory results				
Profit before taxation	34.9	33.1	+5%	+2%
Earnings per share	4.5p	4.2p	+8%	+4%

[1] Before exceptional items, intangible amortisation and fair value remeasurements

Highlights

- Record Q1 pre-tax profits[1] of £61m, up 76% at constant exchange rates
- Sunbelt's rental revenue increases17%
- Group EBITDA margins rise to 40% (2011: 35%)
- Long-term debt refinanced giving significantly lower cost and longer maturities
- Board now anticipates a full year result materially ahead of its previous expectations

Ashtead's chief executive, Geoff Drabble, commented:

"We are delighted with this record performance as we continue to benefit from the trends established in the business over a number of quarters.

The markets in which we operate have performed as anticipated with gently improving conditions in the US and a more challenging outlook in the UK. We do not anticipate any significant changes to this environment in the short term.

Against this back-drop our continued market share gains are again reflected in our strong growth in fleet on rent and improving margins demonstrate our operational efficiency. Given the momentum established in the business, we now anticipate a full year result materially ahead of our previous expectations."

Contacts:

Geoff Drabble	Chief executive	+44 (0)20 7726 9700
Suzanne Wood	Finance director	
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Geoff Drabble and Suzanne Wood will hold a conference call for equity analysts at 9.30am on Tuesday 4 September. Dial in details for this call have already been distributed but any analyst not having received them should contact the Company's PR advisors, Maitland (Astrid Wright) on 020 7379 5151. The call will be webcast live via the Company's website at www.ashtead-group.com and there will also be a replay available via the website from shortly after the call concludes. There will, as usual, also be a separate call for bondholders at 4.00pm UK time (11.00am EST).

Trading results

	Revenue 2012	Revenue 2011	EBITDA 2012	EBITDA 2011	Operating profit 2012	Operating profit 2011
Sunbelt in $m	432.1	361.1	183.6	134.6	114.4	73.9
Sunbelt in £m	275.3	222.5	116.9	82.9	72.9	45.6
A-Plant	49.7	46.1	14.4	12.6	3.0	2.3
Group central costs	-	-	(2.0)	(1.6)	(2.1)	(1.7)
	325.0	268.6	129.3	93.9	73.8	46.2
Net financing costs					(12.4)	(12.4)
Profit before tax, exceptionals, remeasurements and amortisation					**61.4**	**33.8**
Exceptional items					(18.0)	-
Fair value remeasurements					(7.4)	-
Amortisation					(1.1)	(0.7)
Profit before taxation					34.9	33.1
Taxation					(12.4)	(12.4)
Profit attributable to equity holders of the Company					22.5	20.7
Margins						
Sunbelt			*42.5%*	*37.3%*	*26.5%*	*20.5%*
A-Plant			*29.0%*	*27.3%*	*6.0%*	*5.0%*
Group			*39.8%*	*34.9%*	*22.7%*	*17.2%*

Group revenue improved 21% in the quarter reflecting predominantly strong growth in fleet on rent and yield in the US. Sunbelt's rental revenue grew 17% to $384m (2011: $328m), including a 13% increase in fleet on rent and a 4% improvement in yield. In the UK, A-Plant's first quarter rental revenue grew by 6% to £45m (2011: £42m) including 7% growth in average fleet on rent offset by a small yield decline.

Total revenue growth for the Group included used equipment sales revenue of £22m (2011: £14m) as we increased capital expenditure and continued to reduce the fleet age.

Sunbelt delivered a strong EBITDA margin of 42.5% (2011: 37.3%) in the quarter resulting from the high 'drop through' of rental revenue to profit as we continue to benefit from improved operational efficiency. As a result, EBITDA rose to $184m (2011: $135m) and operating profit rose to $114m (2011: $74m). A-Plant's operating profit rose to £3m (2011: £2m).

Exceptional financing costs of £18m (including cash costs of £13m) in the quarter related to the redemption of our $550m 9.0% senior secured notes. The refinancing of these notes with the $500m 6.5% senior secured notes maturing in 2022 will generate an annual saving to our finance cost of circa £8m per annum.

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 £35m (2011: £33m). The effective tax rate on the underlying pre-tax profit was 37% (2011: 37%). Underlying earnings per share grew 82% to 7.7p (2011: 4.3p), whilst basic earnings per share were 4.5p (2011: 4.2p).

Capital expenditure

Capital expenditure this year will, as usual, be concentrated in the first half of the year as we maximise expenditure for the seasonally stronger summer months. Accordingly, Q1 expenditure was £223m gross and £199m net of disposal proceeds (2011: £156m gross and £140m net). As a result of this investment, the Group's rental fleet at 31 July 2012 was 14% larger than a year ago and has a reduced age of 33 months (2011: 40 months).

Sunbelt's fleet size at 31 July of $2.7bn is 15% larger than it was a year ago which supported strong fleet on rent growth of 13% year on year. Average first quarter physical utilisation was 70% (2011: 72%) as we put the new equipment out on rent gradually throughout the quarter.

For the year as a whole we continue to anticipate gross additions of £450m with net capex payments of £400m after £100m of disposal proceeds (reflecting additional equipment delivered in Q4 last year and paid for this year). This rate of investment will hold the fleet size at around the size reached at the end of the quarter for the remainder of the year.

Return on Investment

Sunbelt's pre-tax return on investment[1] in the 12 months to 31 July 2012 continued to improve to 15.3% (2011: 10.0%), well ahead of the Group's pre-tax weighted average cost of capital. In the UK, return on investment remains weak at 3.2% (2011: 1.2%) reflecting continuing excess supply and weak end markets. For the Group as a whole, returns are 13.2% (2011: 8.1%).

Cash flow and net debt

As expected, debt increased during the quarter. This resulted from the capital expenditure to grow and renew the fleet and the usual seasonal increase in working capital that occurs as activity rises in the summer months. We expect the working capital increase to largely reverse in the second half. Net debt at 31 July 2012 was £988m (2011: £848m) whilst the ratio of net debt to EBITDA was 2.4 times (2011: 2.8 times).

The Group's debt package remains well structured to enable us to take advantage of prevailing end market conditions. Following the issue of the new 6.5% $500m senior secured notes due in 2022, and the redemption of the 9.0% $550m senior secured notes, the Group's debt facilities are committed for an average of 5.7 years. At 31 July 2012, ABL availability was $663m - substantially above the $216m level at which the Group's entire debt package is covenant free.

Current trading and outlook

The performance seen in the first quarter continued in August. Given the momentum established in the business, we now anticipate a full year result materially ahead of our previous expectations.

Forward looking statements

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

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

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2012

	2012			2011		
	Before exceptional items, amortisation and remeasurements £m	Exceptional items, amortisation and remeasurements £m	Total £m	Before exceptional items and amortisation £m	Exceptional items, and amortisation £m	Total £m
Revenue						
Rental revenue	289.4	-	289.4	243.9	-	243.9
Sale of new equipment, merchandise and consumables	13.9	-	13.9	10.6	-	10.6
Sale of used rental equipment	21.7	-	21.7	14.1	-	14.1
	325.0	-	325.0	268.6	-	268.6
Operating costs						
Staff costs	(86.1)	-	(86.1)	(79.5)	-	(79.5)
Used rental equipment sold	(18.1)	-	(18.1)	(12.1)	-	(12.1)
Other operating costs	(91.5)	-	(91.5)	(83.1)	-	(83.1)
	(195.7)	-	(195.7)	(174.7)	-	(174.7)
EBITDA*	129.3	-	129.3	93.9	-	93.9
Depreciation	(55.5)	-	(55.5)	(47.7)	-	(47.7)
Amortisation	-	(1.1)	(1.1)	-	(0.7)	(0.7)
Operating profit	73.8	(1.1)	72.7	46.2	(0.7)	45.5
Investment income	1.1	-	1.1	1.0	-	1.0
Interest expense	(13.5)	(25.4)	(38.9)	(13.4)	-	(13.4)
Profit on ordinary activities before taxation	61.4	(26.5)	34.9	33.8	(0.7)	33.1
Taxation:						
- current	(2.5)	-	(2.5)	(2.5)	-	(2.5)
- deferred	(20.3)	10.4	(9.9)	(10.1)	0.2	(9.9)
	(22.8)	10.4	(12.4)	(12.6)	0.2	(12.4)
Profit attributable to equity holders of the Company	38.6	(16.1)	22.5	21.2	(0.5)	20.7
Basic earnings per share	7.7p	(3.2p)	4.5p	4.3p	(0.1p)	4.2p
Diluted earnings per share	7.7p	(3.2p)	4.5p	4.2p	(0.1p)	4.1p

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

All revenue and profit is generated from continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 JULY 2012

	2012 £m	2011 £m
Profit attributable to equity holders of the Company for the period	22.5	20.7
Foreign currency translation differences	10.5	3.3
Total comprehensive income for the period	33.0	24.0

Details of principal risks and uncertainties are given in the Review of the Balance Sheet and Cashflow accompanying these interim financial statements.

CONSOLIDATED BALANCE SHEET AT 31 JULY 2012

	Unaudited 31 July		Audited 30 April
	2012	2011	2012
	£m	£m	£m
Current assets			
Inventories	14.8	11.9	13.4
Trade and other receivables	204.9	173.4	178.0
Current tax asset	2.5	2.1	2.6
Cash and cash equivalents	7.0	12.6	23.4
	229.2	200.0	217.4
Non-current assets			
Property, plant and equipment			
- rental equipment	1,292.6	1,009.1	1,118.4
- other assets	156.8	135.5	145.0
	1,449.4	1,144.6	1,263.4
Intangible assets - brand names and other acquired intangibles	21.1	11.8	21.7
Goodwill	384.3	360.4	371.0
Deferred tax asset	-	0.3	-
Defined benefit pension fund surplus	3.9	6.5	3.4
Other financial assets – derivatives	-	-	7.2
	1,858.7	1,523.6	1,666.7
Total assets	2,087.9	1,723.6	1,884.1
Current liabilities			
Trade and other payables	310.8	197.7	265.6
Current tax liability	3.6	3.2	2.8
Debt due within one year	2.2	1.6	2.1
Provisions	11.3	9.9	11.3
	327.9	212.4	281.8
Non-current liabilities			
Debt due after more than one year	992.7	858.7	875.6
Provisions	22.2	23.1	21.7
Deferred tax liabilities	167.3	124.5	150.3
	1,182.2	1,006.3	1,047.6
Total liabilities	1,510.1	1,218.7	1,329.4
Equity			
Share capital	55.3	55.3	55.3
Share premium account	3.6	3.6	3.6
Capital redemption reserve	0.9	0.9	0.9
Non-distributable reserve	90.7	90.7	90.7
Own shares held by the Company	(33.1)	(33.1)	(33.1)
Own shares held through the ESOT	(7.4)	(6.7)	(6.2)
Cumulative foreign exchange translation differences	17.6	5.9	7.1
Retained reserves	450.2	388.3	436.4
Equity attributable to equity holders of the Company	577.8	504.9	554.7
Total liabilities and equity	2,087.9	1,723.6	1,884.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 JULY 2012

	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 by 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	-	-	-	-	-	-	-	20.7	20.7
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	3.3	-	3.3
Total comprehensive income for the period	-	-	-	-	-	-	3.3	20.7	24.0
Share-based payments	-	-	-	-	-	-	-	0.5	0.5
Tax on share-based payments	-	-	-	-	-	-	-	(1.0)	(1.0)
At 31 July 2011	55.3	3.6	0.9	90.7	(33.1)	(6.7)	5.9	388.3	504.9
Profit for the period	-	-	-	-	-	-	-	67.8	67.8
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	1.2	-	1.2
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	-	-	-	-	-	-	1.2	63.1	64.3
Dividends paid	-	-	-	-	-	-	-	(15.3)	(15.3)
Own shares purchased by the ESOT	-	-	-	-	-	(3.5)	-	-	(3.5)
Share-based payments	-	-	-	-	-	4.0	-	(2.0)	2.0
Tax on share-based payments	-	-	-	-	-	-	-	2.3	2.3
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	-	-	-	-	-	-	-	22.5	22.5
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	10.5	-	10.5
Total comprehensive income for the period	-	-	-	-	-	-	10.5	22.5	33.0
Own shares purchased by the ESOT	-	-	-	-	-	(9.2)	-	-	(9.2)
Share-based payments	-	-	-	-	-	8.0	-	(7.4)	0.6
Tax on share-based payments	-	-	-	-	-	-	-	(1.3)	(1.3)
At 31 July 2012	55.3	3.6	0.9	90.7	(33.1)	(7.4)	17.6	450.2	577.8

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2012

	2012	2011
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	100.1	58.2
Exceptional operating costs paid	(0.7)	(0.9)
Payments for rental property, plant and equipment	(162.2)	(108.9)
Proceeds from disposal of rental property, plant and equipment	19.2	15.8
Cash used in operations	(43.6)	(35.8)
Financing costs paid (net)	(16.3)	(4.0)
Exceptional financing costs paid	(13.4)	-
Tax paid (net)	(1.6)	(1.5)
Net cash used in operating activities	(74.9)	(41.3)
Cash flows from investing activities		
Payments for non-rental property, plant and equipment	(16.0)	(19.5)
Proceeds on disposal of non-rental property, plant and equipment	2.1	2.0
Net cash used in investing activities	(13.9)	(17.5)
Cash flows from financing activities		
Drawdown of loans	490.2	60.3
Redemption of loans	(409.9)	(7.3)
Capital element of finance lease payments	(0.3)	(0.4)
Purchase of own shares by the ESOT	(7.6)	-
Net cash from financing activities	72.4	52.6
Decrease in cash and cash equivalents	(16.4)	(6.2)
Opening cash and cash equivalents	23.4	18.8
Closing cash and cash equivalents	7.0	12.6

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated interim financial statements for the three months ended 31 July 2012 were approved by the directors on 3 September 2012. They have been prepared in accordance with relevant International Financial Reporting Standards ('IFRS') (including International Accounting Standard – 'IAS 34 Interim Financial Reporting') and the accounting policies set out in the Group's Annual Report and Accounts for the year ended 30 April 2012.

The financial statements have been prepared on the going concern basis as described in the corporate governance report included in the 2012 Annual Report and Accounts. They are unaudited and do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.

The statutory accounts for the year ended 30 April 2012 were prepared in accordance with relevant IFRS and have been mailed to shareholders and filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not include a reference to any matter by way of emphasis without qualifying the report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

	2012	2011
Average for the quarter ended 31 July	1.57	1.62
At 31 July	1.57	1.64

2. Segmental analysis

	Revenue	Operating profit before amortisation	Amortisation	Operating profit
	£m	£m	£m	£m
Three months to 31 July				
2012				
Sunbelt	275.3	72.9	(0.7)	72.2
A-Plant	49.7	3.0	(0.4)	2.6
Corporate costs	-	(2.1)	-	(2.1)
	325.0	73.8	(1.1)	72.7
2011				
Sunbelt	222.5	45.6	(0.3)	45.3
A-Plant	46.1	2.3	(0.4)	1.9
Corporate costs	-	(1.7)	-	(1.7)
	268.6	46.2	(0.7)	45.5

	Segment assets	Cash	Taxation assets	Other financial assets - derivatives	Total assets
At 31 July 2012					
Sunbelt	1,755.9	-	-	-	1,755.9
A-Plant	322.3	-	-	-	322.3
Central items	0.2	7.0	2.5	-	9.7
	2,078.4	7.0	2.5	-	2,087.9
At 30 April 2012					
Sunbelt	1,549.4	-	-	-	1,549.4
A-Plant	301.4	-	-	-	301.4
Central 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 INTERIM FINANCIAL STATEMENTS

3. Operating costs

	2012			2011		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 July						
Staff costs:						
Salaries	78.3	-	78.3	73.0	-	73.0
Social security costs	6.2	-	6.2	5.1	-	5.1
Other pension costs	1.6	-	1.6	1.4	-	1.4
	86.1	-	86.1	79.5	-	79.5
Used rental equipment sold	18.1	-	18.1	12.1	-	12.1
Other operating costs:						
Vehicle costs	21.6	-	21.6	20.7	-	20.7
Spares, consumables & external repairs	16.2	-	16.2	14.8	-	14.8
Facility costs	11.3	-	11.3	10.6	-	10.6
Other external charges	42.4	-	42.4	37.0	-	37.0
	91.5	-	91.5	83.1	-	83.1
Depreciation and amortisation:						
Depreciation	55.5	-	55.5	47.7	-	47.7
Amortisation of acquired intangibles	-	1.1	1.1	-	0.7	0.7
	55.5	1.1	56.6	47.7	0.7	48.4
	251.2	1.1	252.3	222.4	0.7	223.1

4. Exceptional items, amortisation and fair value remeasurements

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

	Three months to 31 July	
	2012	2011
	£m	£m
Write off of deferred financing costs	4.6	-
Early redemption fee	10.6	-
Call period interest	2.8	-
Amortisation of acquired intangibles	1.1	0.7
Fair value remeasurements	7.4	-
	26.5	0.7
Taxation	(10.4)	(0.2)
	16.1	0.5

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

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 change in fair value of the embedded call options in the senior secured notes.

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

	Three months to 31 July	
	2012	2011
	£m	£m
Amortisation of acquired intangibles	1.1	0.7
Charged in arriving at operating profit	1.1	0.7
Net financing costs	25.4	-
Charged in arriving at profit before tax	26.5	0.7
Taxation thereon	(10.4)	(0.2)
	16.1	0.5

5. Financing costs

	Three months to 31 July	
	2012	2011
	£m	£m
Investment income:		
Expected return on assets of defined benefit pension plan	(1.1)	(1.0)
Interest expense:		
Bank interest payable	4.3	4.1
Interest payable on second priority senior secured notes	7.4	7.6
Interest payable on finance leases	0.1	0.1
Non-cash unwind of discount on defined benefit pension plan liabilities	0.8	0.7
Non-cash unwind of discount on self-insurance provisions	0.3	0.3
Amortisation of deferred costs of debt raising	0.6	0.6
Total interest expense	13.5	13.4
Net financing costs before remeasurements	12.4	12.4
Exceptional items	18.0	-
Fair value remeasurements	7.4	-
Net financing costs	37.8	12.4

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Taxation

The tax charge for the period has been computed using an estimated effective rate of 39% in the US (2011: 40%) and 25% in the UK (2011: 28%). The blended effective rate for the Group as a whole is 37% of the profit before tax, exceptional items, amortisation of acquired intangibles and fair value remeasurements.

The tax charge of £22.8m (2011: £12.6m) on the underlying pre-tax profit of £61.4m (2011: £33.8m) is as follows:

	Three months to 31 July 2012 £m	2011 £m
Current tax on income for the year	2.5	2.5
Deferred tax		
- origination and reversal of temporary differences	20.1	9.9
- adjustments to prior year	0.2	0.2
	20.3	10.1
Tax on underlying activities	22.8	12.6
Comprising:		
- UK tax	2.6	2.7
- US tax	20.2	9.9
	22.8	12.6

In addition, the tax credit of £10.4m (2011: credit of £0.2m) on exceptional items (including amortisation and fair value remeasurements) of £26.4m (2011: £0.7m) consists of a deferred tax credit of £0.1m relating to the UK (2011: credit of £0.1m) and a deferred tax credit of £10.3m (2011: credit of £0.1m) relating to the US.

7. Earnings per share

Basic and diluted earnings per share for the three months ended 31 July 2012 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 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 31 July 2012	2011
Profit for the financial period (£m)		22.5	20.7
Weighted average number of shares (m)	- basic	498.9	497.7
	- diluted	504.0	505.1
Basic earnings per share		4.5p	4.2p
Diluted earnings per share		4.5p	4.1p

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Earnings per share (continued)

Underlying earnings per share (defined in any period as the earnings before 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	
	2012	2011
Basic earnings per share	4.5p	4.2p
Exceptional items, amortisation of acquired intangibles and fair value remeasurements	5.3p	0.1p
Tax on amortisation and remeasurements	(2.1p)	-
Underlying earnings per share	7.7p	4.3p
Other deferred tax	4.1p	2.0p
Cash tax earnings per share	11.8p	6.3p

8. Property, plant and equipment

	2012		2011	
Net book value	Rental equipment £m	Total £m	Rental equipment £m	Total £m
At 1 May	1,118.4	1,263.4	914.5	1,036.2
Exchange difference	33.6	37.4	12.1	13.4
Reclassifications	(0.1)	-	(0.1)	-
Additions	207.1	223.2	136.2	156.2
Acquisitions	-	-	(0.1)	(0.1)
Disposals	(17.4)	(19.1)	(11.7)	(13.4)
Depreciation	(49.0)	(55.5)	(41.8)	(47.7)
At 31 July	1,292.6	1,449.4	1,009.1	1,144.6

9. Share capital

Ordinary shares of 10p each:

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

At 31 July 2012, 50m shares were held by the Company and a further 2.8m shares were held by the Company's Employee Share Ownership Trust.

10. Notes to the cash flow statement

a) Cash flow from operating activities

	Three months to 31 July 2012 £m	2011 £m
Operating profit before exceptional items and amortisation	73.8	46.2
Depreciation	55.5	47.7
EBITDA before exceptional items	129.3	93.9
Profit on disposal of rental equipment	(3.6)	(2.0)
Profit on disposal of other property, plant and equipment	(0.5)	(0.4)
Increase in inventories	(1.0)	(0.2)
Increase in trade and other receivables	(20.0)	(18.4)
Decrease in trade and other payables	(5.0)	(15.1)
Exchange differences	0.3	-
Other non-cash movements	0.6	0.4
Cash generated from operations before exceptional items and changes in rental equipment	100.1	58.2

b) Reconciliation to net debt

	Three months to 31 July 2012 £m	2011 £m
Decrease in cash in the period	16.4	6.2
Increase in debt through cash flow	80.0	52.6
Change in net debt from cash flows	96.4	58.8
Exchange differences	32.0	12.2
Non-cash movements:		
- deferred costs of debt raising	5.2	0.6
- capital element of new finance leases	-	0.4
Increase in net debt in the period	133.6	72.0
Opening net debt	854.3	775.7
Closing net debt	987.9	847.7

c) Analysis of net debt

	1 May 2012 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	31 July 2012 £m
Cash	(23.4)	-	16.4	-	(7.0)
Debt due within 1 year	2.1	-	(0.3)	0.4	2.2
Debt due after 1 year	875.6	32.0	80.3	4.8	992.7
Total net debt	854.3	32.0	96.4	5.2	987.9

Details of the Group's debt are given in the Review of Balance Sheet and Cashflow accompanying these interim financial statements.

11. Contingent liabilities

There have been no significant changes in contingent liabilities from those reported in the financial statements for the year ended 30 April 2012.

REVIEW OF BALANCE SHEET AND CASH FLOW

Balance sheet

Fixed assets

Capital expenditure in the quarter was £223m (2011: £156m) with £207m invested in the rental fleet (2011: £136m). Expenditure on rental equipment was 93% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and to computer equipment. Capital expenditure by division was as follows:

		2012		2011
	Growth	Maintenance	Total	Total
Sunbelt in $m	203.0	72.1	275.1	209.4
Sunbelt in £m	129.6	46.0	175.6	127.6
A-Plant	19.8	11.7	31.5	8.6
Total rental equipment	149.4	57.7	207.1	136.2
Delivery vehicles, property improvements & computers			16.1	20.0
Total additions			223.2	156.2

With good demand in the US, £149m of rental equipment capital expenditure was spent on growth while £58m 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 the fleet, at 31 July 2012 was 33 months (2011: 40 months) on a net book value basis. Sunbelt's fleet had an average age of 32 months (2011: 39 months) while A-Plant's fleet had an average age of 37 months (2011: 43 months).

	Rental fleet at original cost				LTM	LTM
			LTM	LTM rental	dollar	physical
	31 July 2012	30 April 2012	average	revenue	utilisation	utilisation
Sunbelt in $m	2,656	2,453	2,404	1,391	58%	70%
Sunbelt in £m	1,695	1,511	1,534	886	58%	70%
A-Plant	378	358	359	171	48%	65%
	2,073	1,869	1,893	1,057		

Dollar utilisation is defined as rental revenue divided by average fleet at original (or "first") cost and, measured over the last twelve months to 31 July 2012, was 58% at Sunbelt and 48% at A-Plant. 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. Measured over the last twelve months to 31 July 2012, average physical utilisation was 70% at Sunbelt (2011: 68%) and 65% at A-Plant (2011: 68%). At Sunbelt, physical utilisation is measured consistently for equipment with an original cost in excess of $7,500 which comprised 93% of its fleet at 31 July 2012.

Trade receivables

Receivable days at 31 July were 45 days (2011: 47 days). The bad debt charge for the quarter ended 31 July 2012 as a percentage of total turnover was 0.7% (2011: 0.9%). Trade receivables at 31 July 2012 of £173m (2011: £147m) are stated net of allowances for bad debts and credit notes of £16m (2011: £15m) with the allowance representing 8.4% (2011: 9.2%) of gross receivables.

Trade and other payables

Group payable days were 75 days in 2012 (2011: 63 days) with capital expenditure-related payables, which have longer payment terms, totalling £184m (2011: £86m). 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 and net debt

	Three months to 31 July		LTM to 31 July	Year to 30 April
	2012	2011	2012	2012
	£m	£m	£m	£m
EBITDA before exceptional items	129.3	93.9	416.6	381.1
Cash inflow from operations before exceptional items and changes in rental equipment	100.1	58.2	406.5	364.6
*Cash conversion ratio**	*77.4%*	*62.1%*	*97.6%*	*95.7%*
Maintenance rental capital expenditure paid	(80.3)	(69.0)	(233.7)	(222.4)
Payments for non-rental capital expenditure	(16.0)	(19.5)	(46.4)	(49.9)
Rental equipment disposal proceeds	19.2	15.8	86.8	83.4
Other property, plant and equipment disposal proceeds	2.1	2.0	6.9	6.8
Tax paid (net)	(1.6)	(1.5)	(7.5)	(7.4)
Financing costs paid	(16.3)	(4.0)	(61.4)	(49.1)
Cash flow before growth capex and payment of exceptional costs	**7.2**	**(18.0)**	**151.2**	**126.0**
Growth rental capital expenditure paid	(81.9)	(39.9)	(177.4)	(135.4)
Exceptional costs paid	(14.1)	(0.9)	(16.5)	(3.3)
Total cash used in operations	**(88.8)**	**(58.8)**	**(42.7)**	**(12.7)**
Business acquisitions	-	-	(21.9)	(21.9)
Total cash absorbed	**(88.8)**	**(58.8)**	**(64.6)**	**(34.6)**
Dividends paid	-	-	(15.3)	(15.3)
Purchase of own shares by the ESOT	(7.6)	-	(11.1)	(3.5)
Increase in net debt	**(96.4)**	**(58.8)**	**(91.0)**	**(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 the net investment in the rental fleet increased by 71% to £100m. Reflecting a seasonal increase in working capital (particularly trade receivables), the first quarter cash conversion ratio was 77.4% (2011: 62.1%). As the year progresses we anticipate that these seasonal impacts on working capital will substantially reverse.

Total payments for capital expenditure (rental equipment and other PPE) in the first quarter were £178m, lower than the £223m of capital expenditure due to the impact of supplier payment terms. Disposal proceeds received totalled £21m, giving net payments for capital expenditure of £157m in the quarter (2011: £110m).

Financing costs paid totalled £16m and were higher than the £4m paid in 2011 due to the early settlement of interest due on the $550m senior secured notes which were satisfied and discharged in July.

Accordingly, in the quarter the Group experienced a cash outflow both before and after discretionary investments made to enlarge the size and hence earnings capacity of its rental fleet. On a last twelve months basis, to eliminate these seasonal effects, free cash flow (which we define to be before growth investment and exceptionals) was £151m positive after payment of tax and interest. After discretionary growth investment, payment of exceptional costs (closed property costs and financing costs) and acquisitions there was a net outflow of £65m (2011/12: £35m).

Net debt

	31 July 2012 £m	31 July 2011 £m	30 April 2012 £m
First priority senior secured bank debt	679.1	527.4	539.9
Finance lease obligations	3.5	3.1	3.8
9% second priority senior secured notes, due 2016	-	329.8	334.0
6.5% second priority senior secured notes, due 2022	312.3	-	-
	994.9	860.3	877.7
Cash and cash equivalents	(7.0)	(12.6)	(23.4)
Total net debt	987.9	847.7	854.3

Net debt at 31 July 2012 was £988m with the increase since 30 April 2012 reflecting an adverse exchange impact of £32m and the net cash outflow set out above. The Group's EBITDA for the twelve months ended 31 July 2012 was £417m and the ratio of net debt to EBITDA was therefore 2.4 times at 31 July 2012 (2011: 2.8 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 5.7 years remaining at 31 July 2012. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 4.3%. 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 twelve 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 31 July 2012 availability under the bank facility was $663m ($735m at 30 April 2012) meaning that covenants were not measured at 31 July 2012 and are unlikely to be measured in forthcoming quarters. However, as a matter of good practice, we still calculate the covenant ratios each quarter. At 31 July 2012, 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 currently below 1.1 times does not cause concern given the strong availability and management's ability to flex capital expenditure downwards at short notice. Accordingly, the accounts are prepared on a going concern basis.

Principal risks and uncertainties

Risks and uncertainties in achieving the Group's objectives for the remainder of the financial year, together with assumptions, estimates, judgements and critical accounting policies used in preparing financial information remain unchanged from those detailed in the 2012 Annual Report and Accounts on pages 18 to 25. 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 revenue normally being higher in the first half. On a quarterly basis, the second quarter is typically our strongest quarter, followed by the first and then the third and fourth quarters.

In addition, the current trading and outlook section of the interim statement provides commentary on market and economic conditions for the remainder of the year.

Fluctuations in the value of the US dollar with respect to the pound sterling have had, and may continue to have, a significant impact on our financial condition and results of operations as reported in pounds due to the majority of our assets, liabilities, revenues and costs being denominated in US dollars. All our debt was denominated in US dollars at 31 July 2012 and represented approximately 75% of the value of dollar-denominated net assets (other than debt) providing a partial, but substantial, hedge against currency fluctuations. 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 current currency mix of our profits and on dollar debt levels, interest and exchange rates at 31 July 2012, a 1% change in the US dollar exchange rate would impact pre-tax profit by £1.6m.

OPERATING STATISTICS

	Profit centre numbers			Staff numbers		
	31 July		30 April	31 July		30 April
	2012	2011	2012	2012	2011	2012
Sunbelt	381	358	376	6,467	6,421	6,605
A-Plant	108	107	109	1,896	1,902	1,939
Corporate office	-	-	-	10	11	11
Group	489	465	485	8,373	8,334	8,555