4 September 2013

Unaudited results for the first quarter ended 31 July 2013

	2013 £m	2012[1] £m	Growth[2] %
Underlying results[3]			
Revenue	410.5	325.0	24%
EBITDA	176.7	129.3	34%
Operating profit	110.4	73.8	46%
Profit before taxation	99.5	61.1	59%
Earnings per share	12.4p	7.7p	57%
Statutory results			
Profit before taxation	97.4	34.6	173%
Earnings per share	12.1p	4.5p	163%

1 prior year figures restated for the adoption of IAS 19 'Employee Benefits' (revised) (see explanatory note below)
2 at constant exchange rates
3 before exceptionals, intangible amortisation and fair value remeasurements

Highlights

- Record Q1 pre-tax profits[1] of £99m, up 59% at constant exchange rates
- Sunbelt's rental revenue increases 25%
- Group EBITDA margins rise to 43% (2012: 40%)
- £279m of capital invested in the business (2012: £223m)
- Group RoI of 17% (2012: 13%)
- Senior debt facility increased to $2bn and maturity extended to August 2018 at lower cost
- Net debt to EBITDA leverage of 2.1 times (2012: 2.4 times)

Ashtead's chief executive, Geoff Drabble, commented:

"The first quarter saw a continuation of the momentum established in the business, resulting in pre-tax profit of £99m. This performance is being driven by strong revenue growth and operational efficiency as demonstrated by the improvement in margins and return on investment.

Our focus remains on organic growth with £279m of capital expenditure in the first quarter. Whilst we continue to invest significantly in the business, our strong margins allow us to do this while delevering.

As a result of this impressive performance, and with a strong balance sheet to support future growth, we now anticipate a full year result ahead of our previous 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 hold a conference call for equity analysts at 9.30am on Wednesday, 4 September 2013. 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).

Explanatory note

Prior year figures have been restated following the adoption of IAS 19 'Employee Benefits' (revised). Adoption of the revised standard has decreased the Group's reported operating profit and has increased net financing costs. The net effect is to reduce profit before taxation by £1.3m for the year ended 30 April 2013. See note 1 for further information.

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 2013	Revenue 2012	EBITDA 2013	EBITDA 2012 (restated)	Operating profit 2013	Operating profit 2012 (restated)
Sunbelt in $m	526.3	432.1	243.0	183.6	160.7	114.4
Sunbelt in £m	343.9	275.3	158.7	117.0	104.9	72.9
A-Plant	66.6	49.7	20.4	14.3	7.9	3.0
Group central costs	-	-	(2.4)	(2.0)	(2.4)	(2.1)
	410.5	325.0	176.7	129.3	110.4	73.8
Net financing costs					(10.9)	(12.7)
Profit before tax, exceptionals, remeasurements and amortisation					**99.5**	**61.1**
Exceptional items					-	(18.0)
Fair value remeasurements					-	(7.4)
Amortisation					(2.1)	(1.1)
Profit before taxation					97.4	34.6
Taxation					(36.7)	(12.3)
Profit attributable to equity holders of the Company					60.7	22.3
Margins						
Sunbelt			*46.2%*	*42.5%*	*30.5%*	*26.5%*
A-Plant			*30.5%*	*28.9%*	*11.8%*	*5.9%*
Group			*43.0%*	*39.8%*	*26.9%*	*22.7%*

Group revenue increased 26% to £411m in the quarter (2012: £325m) with strong growth in both businesses. This revenue growth, combined with ongoing operational efficiency and lower financing costs generated record underlying profit before tax of £99m (2012: £61m).

Sunbelt continues to drive the Group's performance. Rental revenue grew 25% to $479m (2012: $384m), driven by a 17% increase in average fleet on rent and 6% improvement in yield. Sunbelt's total revenue, including new and used equipment, merchandise and consumable sales, grew 22% to $526m (2012: $432m) as it sold less used equipment. A-Plant had a good quarter, delivering rental revenue growth of 35% to £61m (2012: £45m). Rental revenue growth excluding acquisitions was 12%, reflecting 9% more fleet on rent and a 3% improvement in yield.

Sunbelt's strong revenue growth, combined with continued operational efficiency resulted in a record first quarter EBITDA margin of 46% (2012: 43%) as 63% of revenue growth dropped-through to EBITDA. This contributed to an operating profit of $161m (2012: $114m). A-Plant's EBITDA margin improved to 31% (2012: 29%) and operating profit increased to £8m (2012: £3m).

As a result, statutory profit before tax was £97m (2012: £35m). The tax charge was 38% (2012: 37%) of the underlying pre-tax profit, reflecting the increasing proportion of US earnings which attract a higher tax rate. Underlying earnings per share increased 61% to 12.4p (2012: 7.7p), whilst basic earnings per share were 12.1p (2012: 4.5p).

Capital expenditure

Capital expenditure is under constant review based on market conditions. Reflecting our strong markets, first quarter expenditure was £279m gross and £257m net of disposal proceeds (2012: £223m gross and £199m net). As a result of this investment, the Group's rental fleet at 31 July 2013 at cost was £2.5bn, with an average age of 29 months (2012: 33 months).

Sunbelt's fleet size at 31 July was $3.1bn (2012: $2.7bn). This larger fleet supported strong fleet on rent growth of 17% year on year. Average first quarter physical utilisation was 73% (2012: 70%) as the higher levels achieved during the second half of 2012/13 continued in the first quarter.

For the year as a whole we will continue to respond to market conditions and currently, our expectation for gross capital expenditure is unchanged from the year end at £560m and net capital expenditure, after disposal proceeds, of £470m.

Return on Investment[1]

Sunbelt's pre-tax return on investment (excluding goodwill) in the 12 months to 31 July 2013 continued to improve to 25.3% (2012: 21.1%), well ahead of the Group's pre-tax weighted average cost of capital. In the UK, return on investment (excluding goodwill) improved to 6.8% (2012: 3.4%). For the Group as a whole, returns (including goodwill) are 17.0% (2012: 13.2%).

Cash flow and net debt

As expected, debt increased during the quarter as we invested in the fleet, made a number of small bolt-on acquisitions and experienced the usual seasonal increase in working capital. Net debt at 31 July 2013 was £1,187m (2012: £988m), whilst the ratio of net debt to EBITDA was 2.1 times (2012: 2.4 times) on a reported basis and 2.0 times (2012: 2.4 times) on a constant currency basis.

The Group took advantage of good debt markets in August and increased the size of its senior credit facility to $2bn. The facility's maturity has been extended to August 2018 and the pricing grid reduced. Depending on leverage, the pricing grid ranges from LIBOR plus 175bp to LIBOR plus 225bp. This ensures our debt package remains well structured and flexible, enabling us to take advantage of prevailing end market conditions. The Group's amended debt facilities are now committed for an average of 6 years. At 31 July 2013, ABL availability under the enlarged facility was $657m, with an additional $246m of suppressed availability - substantially above the $200m level at which the Group's entire debt package is covenant free.

Current trading and outlook

Our strong performance continued in August. As a result of this impressive performance, and with a strong balance sheet to support future growth, we now anticipate a full year result ahead of our previous expectations.

[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 2013

	2013			2012		
	Before amortisation £m	Amortisation £m	Total £m	Before exceptional items amortisation and remeasurements £m (restated)	Exceptional items, amortisation and remeasurements £m	Total £m (restated)
Revenue						
Rental revenue	373.2	-	373.2	289.4	-	289.4
Sale of new equipment, merchandise and consumables	17.7	-	17.7	13.9	-	13.9
Sale of used rental equipment	19.6	-	19.6	21.7	-	21.7
	410.5	-	410.5	325.0	-	325.0
Operating costs						
Staff costs	(103.6)	-	(103.6)	(86.1)	-	(86.1)
Used rental equipment sold	(16.2)	-	(16.2)	(18.1)	-	(18.1)
Other operating costs	(114.0)	-	(114.0)	(91.5)	-	(91.5)
	(233.8)	-	(233.8)	(195.7)	-	(195.7)
EBITDA*	176.7	-	176.7	129.3	-	129.3
Depreciation	(66.3)	-	(66.3)	(55.5)	-	(55.5)
Amortisation	-	(2.1)	(2.1)	-	(1.1)	(1.1)
Operating profit	110.4	(2.1)	108.3	73.8	(1.1)	72.7
Interest expense	(10.9)	-	(10.9)	(12.7)	(25.4)	(38.1)
Profit on ordinary activities before taxation	99.5	(2.1)	97.4	61.1	(26.5)	34.6
Taxation	(37.4)	0.7	(36.7)	(22.7)	10.4	(12.3)
Profit attributable to equity holders of the Company	62.1	(1.4)	60.7	38.4	(16.1)	22.3
Basic earnings per share	12.4p	(0.3p)	12.1p	7.7p	(3.2p)	4.5p
Diluted earnings per share	12.3p	(0.3p)	12.0p	7.6p	(3.2p)	4.4p

* 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 2013

	2013 £m	2012 £m (restated)
Profit attributable to equity holders of the Company for the period	60.7	22.3
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on defined benefit pension scheme	-	0.3
Tax on defined benefit pension scheme	-	(0.1)
	-	0.2
Items that may not be reclassified subsequently to profit or loss:		
Foreign currency translation differences	11.4	10.5
Total comprehensive income for the period	72.1	33.0

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 2013

	Unaudited 31 July 2013	Unaudited 31 July 2012	Audited 30 April 2013
	£m	£m	£m
Current assets			
Inventories	19.1	14.8	16.7
Trade and other receivables	267.0	204.9	218.6
Current tax asset	0.8	2.5	0.8
Cash and cash equivalents	3.9	7.0	20.3
	290.8	229.2	256.4
Non-current assets			
Property, plant and equipment			
- rental equipment	1,641.3	1,292.6	1,407.8
- other assets	195.0	156.8	176.8
	1,836.3	1,449.4	1,584.6
Other intangible assets	44.5	21.1	32.6
Goodwill	418.7	384.3	397.3
Deferred tax asset	1.4	-	1.3
Defined benefit pension fund surplus	0.4	3.9	0.4
	2,301.3	1,858.7	2,016.2
Total assets	2,592.1	2,087.9	2,272.6
Current liabilities			
Trade and other payables	359.4	310.8	296.1
Current tax liability	8.3	3.6	3.8
Debt due within one year	2.0	2.2	2.2
Provisions	23.6	11.3	11.9
	393.3	327.9	314.0
Non-current liabilities			
Debt due after more than one year	1,188.9	992.7	1,032.2
Provisions	20.6	22.2	24.9
Deferred tax liabilities	260.7	167.3	219.0
	1,470.2	1,182.2	1,276.1
Total liabilities	1,863.5	1,510.1	1,590.1
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	(12.6)	(7.4)	(7.4)
Cumulative foreign exchange translation differences	32.5	17.6	21.1
Retained reserves	591.3	450.2	551.4
Equity attributable to equity holders of the Company	728.6	577.8	682.5
Total liabilities and equity	2,592.1	2,087.9	2,272.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 JULY 2013

	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 (restated)	Total £m (restated)
At 1 May 2012	55.3	3.6	0.9	90.7	(33.1)	(6.2)	7.1	436.4	554.7
Profit for the period	-	-	-	-	-	-	-	22.3	22.3
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	10.5	-	10.5
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	-	-	0.3	0.3
Tax on defined benefit scheme	-	-	-	-	-	-	-	(0.1)	(0.1)
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
Profit for the period	-	-	-	-	-	-	-	115.3	115.3
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	3.5	-	3.5
Actuarial loss on defined benefit pension scheme	-	-	-	-	-	-	-	(4.2)	(4.2)
Tax on defined benefit pension scheme	-	-	-	-	-	-	-	1.3	1.3
Total comprehensive income for the period	-	-	-	-	-	-	3.5	112.4	115.9
Dividends paid	-	-	-	-	-	-	-	(20.0)	(20.0)
Own shares purchased by the ESOT	-	-	-	-	-	(1.0)	-	-	(1.0)
Share-based payments	-	-	-	-	-	1.0	-	1.1	2.1
Tax on share-based payments	-	-	-	-	-	-	-	7.7	7.7
At 30 April 2013	55.3	3.6	0.9	90.7	(33.1)	(7.4)	21.1	551.4	682.5
Profit for the period	-	-	-	-	-	-	-	60.7	60.7
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	11.4	-	11.4
Total comprehensive income for the period	-	-	-	-	-	-	11.4	60.7	72.1
Own shares purchased by the ESOT	-	-	-	-	-	(22.2)	-	-	(22.2)
Share-based payments	-	-	-	-	-	17.0	-	(16.3)	0.7
Tax on share-based payments	-	-	-	-	-	-	-	(4.5)	(4.5)
At 31 July 2013	55.3	3.6	0.9	90.7	(33.1)	(12.6)	32.5	591.3	728.6

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2013

	2013 £m	2012 £m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	117.9	100.1
Exceptional operating costs paid	(0.7)	(0.7)
Payments for rental property, plant and equipment	(179.1)	(162.2)
Proceeds from disposal of rental property, plant and equipment	19.0	19.2
Cash used in operations	(42.9)	(43.6)
Financing costs paid	(15.6)	(16.3)
Exceptional financing costs paid	-	(13.4)
Tax paid (net)	(2.6)	(1.6)
Net cash used in operating activities	(61.1)	(74.9)
Cash flows from investing activities		
Acquisition of businesses	(39.5)	-
Payments for non-rental property, plant and equipment	(22.6)	(16.0)
Proceeds on disposal of non-rental property, plant and equipment	2.1	2.1
Net cash used in investing activities	(60.0)	(13.9)
Cash flows from financing activities		
Drawdown of loans	141.7	490.2
Redemption of loans	(14.3)	(409.9)
Capital element of finance lease payments	(0.5)	(0.3)
Purchase of own shares by the ESOT	(22.2)	(7.6)
Net cash from financing activities	104.7	72.4
Decrease in cash and cash equivalents	(16.4)	(16.4)
Opening cash and cash equivalents	20.3	23.4
Closing cash and cash equivalents	3.9	7.0

Reconciliation to net debt

	2013 £m	2012 £m
Decrease in cash in the period	16.4	16.4
Increase in debt through cash flow	126.9	80.0
Change in net debt from cash flows	143.3	96.4
Exchange differences	28.2	32.0
Non-cash movements:		
- deferred costs of debt raising	0.6	5.2
- capital element of new finance leases	0.8	-
Increase in net debt in the period	172.9	133.6
Opening net debt	1,014.1	854.3
Closing net debt	1,187.0	987.9

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated interim financial statements for the three months ended 31 July 2013 were approved by the directors on 3 September 2013. 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 2013.

The following new standards are mandatory for the first time for the financial year beginning 1 May 2013:

- IAS 19, 'Employee Benefits' (revised June 2011). The impact on the Group was to replace the interest expense and expected return on scheme assets with a 'net-interest' amount, which is calculated by applying a discount rate to the net defined benefit pension fund surplus/liability. The effect of this will be to reduce the asset returns recognised in the income statement.

  As required under the revised standard, comparative figures have been restated. For the three month period to 31 July 2013, net financing costs are £0.3m higher and profit before tax is £0.3m lower than reported previously. For the year ended 30 April 2013, operating costs were £0.3m higher, net financing costs were £1.0m higher and profit before tax was £1.3m lower than previously reported.

  Adoption of IAS 19 (revised) has had no impact on the Group's consolidated balance sheet and consolidated cash flow statement.

- IAS 1, 'Presentation of other items of other comprehensive income' (amended June 2011). The amendment increased the required level of disclosure within the statement of comprehensive income.

  The impact of this amendment has been to analyse items within the statement of comprehensive income between items that will not be reclassified subsequently to profit or loss and items that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates.

  The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income have been restated to reflect the change. Other than the above-mentioned presentation changes, the application of the amendments to IAS 1 do not result in any impact on profit or comprehensive income.

The financial statements have been prepared on the going concern basis as described in the corporate governance report included in the 2013 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 2013 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:

	2013	2012
Average for the quarter ended 31 July	1.53	1.57
At 31 July	1.52	1.57

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Segmental analysis

	Revenue	Operating profit before amortisation	Amortisation	Operating profit
	£m	£m	£m	£m
Three months to 31 July				
2013				
Sunbelt	343.9	104.9	(1.3)	103.6
A-Plant	66.6	7.9	(0.8)	7.1
Corporate costs	-	(2.4)	-	(2.4)
	410.5	110.4	(2.1)	108.3
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

	Segment assets	Cash	Taxation assets	Total assets
	£m	£m	£m	£m
At 31 July 2013				
Sunbelt	2,201.5	-	-	2,201.5
A-Plant	384.3	-	-	384.3
Central items	0.2	3.9	2.2	6.3
	2,586.0	3.9	2.2	2,592.1
At 30 April 2013				
Sunbelt	1,943.5	-	-	1,943.5
A-Plant	306.5	-	-	306.5
Central items	0.2	20.3	2.1	22.6
	2,250.2	20.3	2.1	2,272.6

3. Operating costs

	2013			2012		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 July						
Staff costs:						
Salaries	94.6	-	94.6	78.3	-	78.3
Social security costs	7.1	-	7.1	6.2	-	6.2
Other pension costs	1.9	-	1.9	1.6	-	1.6
	103.6	-	103.6	86.1	-	86.1
Used rental equipment sold	16.2	-	16.2	18.1	-	18.1
Other operating costs:						
Vehicle costs	27.6	-	27.6	21.6	-	21.6
Spares, consumables & external repairs	19.0	-	19.0	16.2	-	16.2
Facility costs	12.2	-	12.2	11.3	-	11.3
Other external charges	55.2	-	55.2	42.4	-	42.4
	114.0	-	114.0	91.5	-	91.5
Depreciation and amortisation:						
Depreciation	66.3	-	66.3	55.5	-	55.5
Amortisation of acquired intangibles	-	2.1	2.1	-	1.1	1.1
	66.3	2.1	68.4	55.5	1.1	56.6
	300.1	2.1	302.2	251.2	1.1	252.3

NOTES TO THE CONSOLIDATED INTERIM 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 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	
	2013	2012
	£m	£m
Write off of deferred financing costs	-	4.6
Early redemption fee	-	10.6
Call period interest	-	2.8
Amortisation of acquired intangibles	2.1	1.1
Fair value remeasurements	-	7.4
	2.1	26.5
Taxation	(0.7)	(10.4)
	1.4	16.1

The prior year 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. The fair value remeasurement at July 2012 related 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	
	2013	2012
	£m	£m
Amortisation of acquired intangibles	2.1	1.1
Charged in arriving at operating profit	2.1	1.1
Interest expense	-	25.4
Charged in arriving at profit before tax	2.1	26.5
Taxation thereon	(0.7)	(10.4)
	1.4	16.1

5. Financing costs

	Three months to 31 July	
	2013	2012
	£m	£m (restated)
Interest expense:		
Bank interest payable	4.9	4.3
Interest payable on second priority senior secured notes	5.3	7.4
Interest payable on finance leases	0.1	0.1
Non-cash unwind of discount on self-insurance provisions	-	0.3
Amortisation of deferred costs of debt raising	0.6	0.6
Total interest expense	10.9	12.7
Net financing costs before remeasurements	10.9	12.7
Exceptional items	-	18.0
Fair value remeasurements	-	7.4
Net financing costs	10.9	38.1

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 (2012: 39%) and 23% in the UK (2012: 25%). The blended effective rate for the Group as a whole is 38% of the profit before tax, exceptional items, amortisation of acquired intangibles and fair value remeasurements.

The tax charge of £37.4m (2012 restated: £22.7m) on the underlying pre-tax profit of £99.5m (2012 restated: £61.1m) is as follows:

	Three months to 31 July 2013	2012 (restated)
	£m	£m
Current tax on income for the year	7.0	2.5
Deferred tax		
- origination and reversal of temporary differences	29.3	20.0
- adjustments to prior year	1.1	0.2
	30.4	20.2
Tax on underlying activities	37.4	22.7
Comprising:		
- UK tax	3.3	2.5
- US tax	34.1	20.2
	37.4	22.7

In addition, the tax credit of £0.7m (2012: £10.4m) on exceptional items (including amortisation and fair value remeasurements) of £2.1m (2012: £26.5m) consists of a deferred tax credit of £0.2m relating to the UK (2012: £0.1m) and a deferred tax credit of £0.5m (2012: £10.3m) relating to the US.

7. Earnings per share

Basic and diluted earnings per share for the three months ended 31 July 2013 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 2013	2012 (restated)
Profit for the financial period (£m)		60.7	22.3
Weighted average number of shares (m)	- basic	500.7	498.9
	- diluted	506.6	504.0
Basic earnings per share		12.1p	4.5p
Diluted earnings per share		12.0p	4.4p

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) may be reconciled to the basic earnings per share as follows:

	Three months to 31 July 2013	Three months to 31 July 2012 (restated)
Basic earnings per share	12.1p	4.5p
Exceptional items, amortisation of acquired intangibles and fair value remeasurements	0.4p	5.3p
Tax on amortisation and remeasurements	(0.1p)	(2.1p)
Underlying earnings per share	12.4p	7.7p

8. Property, plant and equipment

	2013		2012	
Net book value	Rental equipment £m	Total £m	Rental equipment £m	Total £m
At 1 May	1,407.8	1,584.6	1,118.4	1,263.4
Exchange difference	31.6	35.1	33.6	37.4
Reclassifications	(0.1)	-	(0.1)	-
Additions	255.1	278.8	207.1	223.2
Acquisitions	21.1	21.5	-	-
Disposals	(15.6)	(17.4)	(17.4)	(19.1)
Depreciation	(58.6)	(66.3)	(49.0)	(55.5)
At 31 July	1,641.3	1,836.3	1,292.6	1,449.4

9. Share capital

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 31 July 2013, 50m shares were held by the Company and a further 2.2m shares were held by the Company's Employee Share Ownership Trust.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. Notes to the cash flow statement

a) Cash flow from operating activities

	Three months to 31 July 2013 £m	Three months to 31 July 2012 £m
Operating profit before exceptional items and amortisation	110.4	73.8
Depreciation	66.3	55.5
EBITDA before exceptional items	176.7	129.3
Profit on disposal of rental equipment	(3.4)	(3.6)
Profit on disposal of other property, plant and equipment	(0.7)	(0.5)
Increase in inventories	(1.5)	(1.0)
Increase in trade and other receivables	(34.6)	(20.0)
Decrease in trade and other payables	(19.4)	(5.0)
Exchange differences	0.1	0.3
Other non-cash movements	0.7	0.6
Cash generated from operations before exceptional items and changes in rental equipment	117.9	100.1

b) Analysis of net debt

	1 May 2013 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	31 July 2013 £m
Cash	(20.3)	-	16.4	-	(3.9)
Debt due within 1 year	2.2	-	(0.5)	0.3	2.0
Debt due after 1 year	1,032.2	28.2	127.4	1.1	1,188.9
Total net debt	1,014.1	28.2	143.3	1.4	1,187.0

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

c) Acquisitions

	Three months to 31 July 2013 £m	Three months to 31 July 2012 £m
Cash consideration	39.5	-

During the period, three acquisitions were made for a total consideration of £39.5m, after taking account of net cash acquired of £2.7m. Further details of these are provided in note 11.

11. Acquisitions

During the period, the following acquisitions were completed:

i) 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 ('Eve'), for an initial consideration of £28m with deferred consideration of up to £7m payable over the next year depending on profitability. Accession is a specialist rental provider of temporary access solutions to the events and industrial sectors.

ii) On 1 July 2013, A-Plant acquired the entire issued share capital of Plant and Site Services Holdings Limited, Plant and Site Services Limited, PSS Innovations Limited and P Moloney Plant & Site Services Ireland Limited (together 'PSS') for a cash consideration of £11m. PSS hires and sells specialist jointing equipment, tooling and consumables to utility companies and their contractors across the United Kingdom.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Acquisitions (continued)

iii) On 12 July 2013, Sunbelt acquired the business and assets of Worth Supply Co., Inc. ('Worth') for a cash consideration of £0.7m ($1m). Worth is a general tool rental business.

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

	Acquirees' book value	Fair value to Group
	£m	£m
Net assets acquired		
Trade and other receivables	8.6	8.6
Inventory	0.4	0.4
Property, plant and equipment		
- rental equipment	19.3	21.1
- other assets	0.4	0.4
Creditors	(6.4)	(6.4)
Debt	(1.3)	(1.3)
Intangible assets (brand name, non-compete agreements and customer relationships)	-	13.4
	21.0	36.2
Consideration:		
- cash paid		39.5
- deferred consideration payable in cash		7.0
		46.5
Goodwill		10.3

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.

Trade receivables at acquisition were £8.6m at fair value, net of £0.4m provision for debts which may not be collected.

Accession's revenue and operating profit in the period from the date of acquisition to 31 July 2013 were £10m and £2m respectively.

Deferred consideration of up to £7m is payable contingent on Accession meeting or exceeding certain earnings thresholds over the next year.

The contribution to revenue and operating profit from PSS and Worth from the date of acquisition to 31 July 2013 was not material.

12. Contingent liabilities

There have been no significant changes in contingent liabilities from those reported in the financial statements for the year ended 30 April 2013.

13. Events after the balance sheet date

On 1 August 2013, Sunbelt acquired the business and assets of M.A.C. Leasing, L.L.C. ('MAC') for cash consideration of $8m (£5m). MAC specialises in the rental and service of heating equipment.

REVIEW OF BALANCE SHEET AND CASH FLOW

Balance sheet

Fixed assets

Capital expenditure in the quarter was £279m (2012: £223m) with £255m invested in the rental fleet (2012: £207m). Expenditure on rental equipment was 92% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was as follows:

	2013			2012
	Replacement	Growth	Total	Total
Sunbelt in $m	59.2	275.2	334.4	275.1
Sunbelt in £m	39.0	181.5	220.5	175.6
A-Plant	10.6	24.0	34.6	31.5
Total rental equipment	49.6	205.5	255.1	207.1
Delivery vehicles, property improvements and IT equipment			23.7	16.1
Total additions			278.8	223.2

With good demand in the US, £205m of rental equipment capital expenditure was spent on growth while £50m 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 2013 was 29 months (2012: 33 months) on a net book value basis. Sunbelt's fleet had an average age of 27 months (2012: 32 months) while A-Plant's fleet had an average age of 36 months (2012: 37 months).

	Rental fleet at original cost				LTM	LTM
	31 July 2013	30 April 2013	LTM average	LTM rental revenue	dollar utilisation	physical utilisation
Sunbelt in $m	3,144	2,868	2,803	1,705	61%	72%
Sunbelt in £m	2,074	1,843	1,849	1,090	61%	72%
A-Plant	436	369	386	199	52%	70%
	2,510	2,212	2,235	1,289		

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 2013, was 61% at Sunbelt and 52% 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 2013, average physical utilisation was 72% at Sunbelt (2012: 70%) and 70% at A-Plant (2012: 65%). 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 2013.

Trade receivables

Receivable days at 31 July were 46 days (2012: 45 days). The bad debt charge for the quarter ended 31 July 2013 as a percentage of total revenue was 0.7% (2012: 0.7%). Trade receivables at 31 July 2013 of £226m (2012: £173m) are stated net of allowances for bad debts and credit notes of £18m (2012: £16m) with the allowance representing 7.4% (2012: 8.4%) of gross receivables.

Trade and other payables

Group payable days were 76 days in 2013 (2012: 75 days) with capital expenditure-related payables, which have longer payment terms, totalling £212m (2012: £184m). Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

Cash flow and net debt

	Three months to 31 July 2013 £m	Three months to 31 July 2012 £m	LTM to 31 July 2013 £m	Year to 30 April 2013 £m (restated)
EBITDA before exceptional items	176.7	129.3	566.4	519.0
Cash inflow from operations before exceptional items and changes in rental equipment	117.9	100.1	519.1	501.3
*Cash conversion ratio**	*66.7%*	*77.4%*	*91.6%*	*96.6%*
Replacement rental capital expenditure	(73.7)	(80.3)	(264.0)	(270.6)
Payments for non-rental capital expenditure	(22.6)	(16.0)	(64.9)	(58.3)
Rental equipment disposal proceeds	19.0	19.2	87.4	87.6
Other property, plant and equipment disposal proceeds	2.1	2.1	7.9	7.9
Tax (net)	(2.6)	(1.6)	(7.8)	(6.8)
Financing costs	(15.6)	(16.3)	(40.8)	(41.5)
Cash flow before growth capex and payment of exceptional costs	**24.5**	**7.2**	**236.9**	**219.6**
Growth rental capital expenditure	(105.4)	(81.9)	(277.1)	(253.6)
Exceptional costs	(0.7)	(14.1)	(2.4)	(15.8)
Total cash used in operations	**(81.6)**	**(88.8)**	**(42.6)**	**(49.8)**
Business acquisitions	(39.5)	-	(73.3)	(33.8)
Total cash absorbed	**(121.1)**	**(88.8)**	**(115.9)**	**(83.6)**
Dividends	-	-	(20.0)	(20.0)
Purchase of own shares by the ESOT	(22.2)	(7.6)	(24.8)	(10.2)
Increase in net debt	**(143.3)**	**(96.4)**	**(160.7)**	**(113.8)**

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

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 18% to £118m. Reflecting a seasonal increase in working capital (particularly trade receivables), the first quarter cash conversion ratio was 66.7% (2012: 77.4%). 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 £202m, lower than the £279m of capital expenditure due to the impact of the timing of fleet deliveries and supplier payment terms. Disposal proceeds received totalled £21m, giving net payments for capital expenditure of £181m in the quarter (2012: £157m).

Accordingly, in the quarter the Group generated £24m (2012: £7m) of net cash before discretionary investments made to enlarge the size and hence earnings capacity of its rental fleet. After growth investment, payment of exceptional costs (closed property costs and financing costs in the prior year) and acquisitions there was a net outflow of £121m (2012: £89m).

Net debt

	31 July 2013 £m	31 July 2012 £m	30 April 2013 £m
First priority senior secured bank debt	864.6	679.1	716.7
Finance lease obligations	3.0	3.5	2.9
6.5% second priority senior secured notes, due 2022	323.3	312.3	314.8
	1,190.9	994.9	1,034.4
Cash and cash equivalents	(3.9)	(7.0)	(20.3)
Total net debt	1,187.0	987.9	1,014.1

Net debt at 31 July 2013 was £1,187m with the increase since 30 April 2013 reflecting principally the net cash outflow set out above and £28m of currency translation effect. The Group's EBITDA for the twelve months ended 31 July 2013 was £566m and the ratio of net debt to EBITDA was therefore 2.1 times at 31 July 2013 (2012: 2.4 times) on a reported basis and 2.0 times (2012: 2.4 times) on a constant currency basis.

Under the terms of our amended asset-based senior bank facility, $2.0bn is committed until August 2018, whilst the $500m senior secured notes mature in July 2022. Our debt facilities therefore remain committed for the long term, with an average of 6 years remaining following the amendment. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 4%. The terms of the $500m senior secured notes are such that financial performance covenants are only measured at the time new debt is raised.

There are two financial performance covenants under the amended 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 1.0 times.

These covenants do not, however, apply when excess availability (the difference between the borrowing base and net facility utilisation) exceeds $200m. At 31 July 2013 availability under the enlarged bank facility was $657m ($667m at 30 April 2013) meaning that covenants were not measured at 31 July 2013 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 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 currently below 1.0 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 2013 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 2013 and represented approximately 71% 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 2013, a 1% change in the US dollar exchange rate would impact pre-tax profit by approximately £3m.

OPERATING STATISTICS

	Profit centre numbers			Staff numbers		
	31 July		30 April	31 July		30 April
	2013	2012	2013	2013	2012	2013
Sunbelt	393	381	388	7,275	6,467	7,141
A-Plant	116	108	106	2,215	1,896	1,934
Corporate office	-	-	-	10	10	10
Group	509	489	494	9,500	8,373	9,085

Sunbelt's rental store number includes 30 Sunbelt at Lowes stores at 31 July 2013 (40 at 31 July 2012).