7 September 2010

Unaudited results for the first quarter ended 31 July 2010

	2010	2009	Change Actual	Change At constant rates
	£m	£m	%	%
Underlying results[1]				
Revenue	239.1	221.6	+8%	+2%
EBITDA	78.4	71.6	+10%	+3%
Operating profit	30.2	23.9	+26%	+17%
Profit before taxation	11.9	8.8	+35%	+18%
Earnings per share	1.6p	1.2p	+34%	+19%
Statutory results				
Profit before taxation	14.0	8.2	+70%	+56%
Earnings per share	1.8p	1.1p	+70%	+72%

Highlights

- Encouraging improvement in year on year Group profit
- Return to profit growth in both divisions
- Capital expenditure of £51m (2009: £15m) in line with previous guidance
- Balance sheet remains strong and our debt well structured with long maturities, lower net debt of £806m (2009: £873m) and conservative leverage of 3.1 times EBITDA

[1] Before exceptionals, intangible amortisation and fair value remeasurements

Ashtead's chief executive, Geoff Drabble, commented:

"We are pleased to announce good Group profit growth for the first quarter, reflecting an improvement in both divisions. Whilst end markets remain fragile, our strong performance in fleet on rent reflects the impact of the responsible correction in fleet sizes throughout the rental industry and increased outsourcing by customers, a trend we expect to continue.

Gross capital expenditure totalled £51m (2009: £15m) as we began the fleet reinvestment programme announced in June. Our investment remains flexible and directed towards replacement not growth as we focus on maintaining the momentum we have established in yield improvement in recent months.

We continue to believe in the fundamental strength of the underlying demand and opportunities in our end markets. The business is delivering strong margins and gaining market share which, together with its financial strength, means that the Board believes that Ashtead is particularly well placed to benefit as markets recover."

Contacts:

Geoff Drabble	Chief executive	+44 (0)20 7726 9700
Ian Robson	Finance director	
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Trading results

	Revenue		EBITDA		Operating profit	
	2010	2009	2010	2009	2010	2009
Sunbelt in $m	297.3	287.7	100.8	98.9	44.2	38.9
Sunbelt in £m	199.4	179.0	67.6	61.6	29.7	24.3
A-Plant	39.7	42.6	12.3	11.4	2.0	1.1
Group central costs	-	-	(1.5)	(1.4)	(1.5)	(1.5)
	239.1	221.6	78.4	71.6	30.2	23.9
Net financing costs					(18.3)	(15.1)
Profit before tax, remeasurements and amortisation					**11.9**	**8.8**
Fair value remeasurements					2.5	-
Amortisation					(0.4)	(0.6)
Profit before taxation					14.0	8.2
Taxation					(4.9)	(2.8)
Profit attributable to equity holders of the Company					9.1	5.4
Margins						
Sunbelt			*33.9%*	*34.4%*	*14.9%*	*13.5%*
A-Plant			*31.0%*	*26.7%*	*5.1%*	*2.6%*
Group			*32.8%*	*32.3%*	*12.6%*	*10.8%*

First quarter results reflect gradually improving conditions in the US with Sunbelt's rental revenues growing 1% to $271m (2009: $268m). Sunbelt's total revenue grew faster at 3% supported by higher used equipment sales as we stepped up fleet replacement.

Average US fleet on rent in the quarter grew 1% over Q1 last year. Yield was broadly flat year on year although sequentially the series of small monthly increments in both fleet on rent and yield since January 2010 we reported in June continued throughout the quarter.

In the UK, A-Plant's rental revenues declined 6% to £38m (2009: £40m). This reflected good growth of 3% in average fleet on rent with demand for A-Plant's quality service continuing to result in market share gains. UK yield declined 7% year on year principally due to the full year effect of price renegotiations last Autumn with its key accounts (which in aggregate constitute approximately 50% of its revenues).

Lower costs, reflecting the full year impact of measures we took in earlier quarters and a reduced depreciation charge on our smaller but well utilised fleet, helped deliver good operating profit growth despite the still weak end construction markets.

Underlying pre-tax profit for the quarter grew by 35% to £11.9m (2009: £8.8m) reflecting the operating profit growth and higher net financing costs which increased due to the full year impact of last November's senior debt refinancing.

After a credit of £2.5m relating to the remeasurement to fair value of the early prepayment option in our long-term debt and £0.4m of intangible amortisation, the statutory profit before tax was £14.0m (2009: £8.2m). The effective tax rate on the underlying pre-tax profit was again stable at 35% (2009: 35%). Underlying earnings per share grew 34% to 1.6p (2009: 1.2p) whilst basic earnings per share were 1.8p (2009: 1.1p).

Capital expenditure

For the year as a whole we continue to anticipate investing around £225m gross and £175m net of disposal proceeds, principally on fleet replacement and thereby holding fleet age broadly flat over the course of the fiscal year. For the quarter, capital expenditure was in line with this guidance at £51m (2009: £15m) gross and £41m (2009: £9m) net of disposal proceeds of £10m. As a result the average age of the Group's rental fleet at 31 July 2010 was 44 months, unchanged from year end.

Cash flow and net debt

Reflecting the £32m increase in net capital expenditure and a £20m increase in the value of receivables since April as quarterly revenues regained more usual seasonal patterns, £6m (2009: £57m) of net cash was generated in the quarter and applied to reduce outstanding debt. Reflecting this and currency fluctuations, net debt at 31 July 2010 was £806m (30 April 2010: £829m) whilst the ratio of net debt to EBITDA was 3.1 times at 31 July 2010, unchanged from year end.

Availability on the ABL senior debt facility at 31 July 2010 was $584m (30 April 2010: $537m) substantially above the $150m level at which the Group's entire debt package is covenant free.

Current trading and outlook

August saw both Sunbelt and A-Plant perform in line with expectations and continue the pattern established in the first quarter.

We continue to believe in the fundamental strength of our markets. The business is delivering strong margins and gaining market share which, together with its financial strength, means that the Board believes that Ashtead is well placed to benefit as markets recover.

Geoff Drabble and Ian Robson will hold a conference call for equity analysts at 9.30am on Tuesday 7 September. Dial in details for this call have already been distributed but any analyst not having received them should contact the Company's PR advisers, Maitland (Ashley Forget), on +44 (0)20 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 3.30pm UK time (10.30am EST).

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2010

	2010			2009		
	Before exceptionals, amortisation and remeasurements	Exceptionals, amortisation and remeasurements	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
	£m	£m	£m	£m	£m	£m
Revenue						
Rental revenue	219.6	-	219.6	206.8	-	206.8
Sale of new equipment, merchandise and consumables	11.0	-	11.0	11.1	-	11.1
Sale of used rental equipment	8.5	-	8.5	3.7	1.2	4.9
	239.1	-	239.1	221.6	1.2	222.8
Operating costs						
Staff costs	(70.6)	-	(70.6)	(70.0)	-	(70.0)
Used rental equipment sold	(8.3)	-	(8.3)	(4.4)	(1.2)	(5.6)
Other operating costs	(81.8)	-	(81.8)	(75.6)	-	(75.6)
	(160.7)	-	(160.7)	(150.0)	(1.2)	(151.2)
EBITDA*	78.4	-	78.4	71.6	-	71.6
Depreciation	(48.2)	-	(48.2)	(47.7)	-	(47.7)
Amortisation of intangibles	-	(0.4)	(0.4)	-	(0.6)	(0.6)
Operating profit	30.2	(0.4)	29.8	23.9	(0.6)	23.3
Net financing costs	(18.3)	2.5	(15.8)	(15.1)	-	(15.1)
Profit on ordinary activities before taxation	11.9	2.1	14.0	8.8	(0.6)	8.2
Taxation:						
- current	(2.1)	-	(2.1)	(0.9)	-	(0.9)
- deferred	(2.1)	(0.7)	(2.8)	(2.1)	0.2	(1.9)
	(4.2)	(0.7)	(4.9)	(3.0)	0.2	(2.8)
Profit attributable to equity holders of the Company	7.7	1.4	9.1	5.8	(0.4)	5.4
Basic earnings per share	1.6p	0.2p	1.8p	1.2p	(0.1p)	1.1p
Diluted earnings per share	1.5p	0.3p	1.8p	1.2p	(0.1p)	1.1p

* 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 2010

	2010	2009
	£m	£m
Profit attributable to equity holders of the Company for the period	9.1	5.4
Foreign currency translation differences	(5.0)	(24.4)
Tax on share-based payments	0.3	-
Total comprehensive income for the period	4.4	(19.0)

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 2010

	Unaudited 31 July 2010	Unaudited 31 July 2009	Audited 30 April 2010
	£m	£m	£m
Current assets			
Inventories	10.2	9.5	9.9
Trade and other receivables	152.2	137.6	134.7
Current tax asset	1.1	1.0	1.1
Cash and cash equivalents	54.6	2.4	54.8
	218.1	150.5	200.5
Assets held for sale	-	0.3	-
	218.1	150.8	200.5
Non-current assets			
Property, plant and equipment			
- rental equipment	948.9	1,011.8	969.7
- other assets	128.8	137.2	131.9
	1,077.7	1,149.0	1,101.6
Intangible assets - brand names and other acquired intangibles	2.9	5.0	3.3
Goodwill	365.4	346.0	373.6
Deferred tax asset	7.8	10.6	7.8
Other financial assets – derivatives	8.0	-	5.7
Defined benefit pension fund surplus	-	0.4	-
	1,461.8	1,511.0	1,492.0
Total assets	1,679.9	1,661.8	1,692.5
Current liabilities			
Trade and other payables	137.9	108.5	130.6
Current tax liability	2.8	-	2.1
Debt due within one year	2.3	5.9	3.1
Provisions	11.9	14.3	12.0
	154.9	128.7	147.8
Non-current liabilities			
Debt due after more than one year	857.8	869.0	880.7
Provisions	28.4	34.3	29.4
Deferred tax liabilities	126.2	122.6	126.6
Defined benefit pension fund deficit	7.6	-	7.7
	1,020.0	1,025.9	1,044.4
Total liabilities	1,174.9	1,154.6	1,192.2
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	(6.3)	(6.3)	(6.3)
Cumulative foreign exchange translation differences	15.1	4.7	20.1
Retained reserves	378.8	391.4	369.1
Equity attributable to equity holders of the Company	505.0	507.2	500.3
Total liabilities and equity	1,679.9	1,661.8	1,692.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 JULY 2010

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non-distributable reserve £m	Treasury stock £m	Own shares held by ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
At 1 May 2009	55.3	3.6	0.9	90.7	(33.1)	(6.3)	29.1	385.8	526.0
Total comprehensive income for the period	-	-	-	-	-	-	(24.4)	5.4	(19.0)
Share-based payments	-	-	-	-	-	-	-	0.2	0.2
At 31 July 2009	55.3	3.6	0.9	90.7	(33.1)	(6.3)	4.7	391.4	507.2
Total comprehensive income for the period	-	-	-	-	-	-	15.4	(9.8)	5.6
Dividends paid	-	-	-	-	-	-	-	(12.8)	(12.8)
Share-based payments	-	-	-	-	-	-	-	0.3	0.3
At 30 April 2010	55.3	3.6	0.9	90.7	(33.1)	(6.3)	20.1	369.1	500.3
Total comprehensive income for the period	-	-	-	-	-	-	(5.0)	9.4	4.4
Share-based payments	-	-	-	-	-	-	-	0.3	0.3
At 31 July 2010	55.3	3.6	0.9	90.7	(33.1)	(6.3)	15.1	378.8	505.0

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2010

	2010 £m	2009 £m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental fleet	57.3	74.7
Exceptional costs paid	(1.3)	(2.7)
Payments for rental property, plant and equipment	(45.7)	(16.4)
Proceeds from disposal of rental property, plant and equipment before exceptional disposals	7.9	4.7
Exceptional proceeds from disposal of rental property, plant and equipment	-	1.2
Cash generated from operations	18.2	61.5
Financing costs paid (net)	(7.5)	(2.6)
Tax paid (net)	(1.3)	(0.5)
Net cash from operating activities	9.4	58.4
Cash flows from investing activities		
Payments for non-rental property, plant and equipment	(5.4)	(2.7)
Proceeds on disposal of non-rental property, plant and equipment	2.0	0.8
Net cash used in investing activities	(3.4)	(1.9)
Cash flows from financing activities		
Drawdown of loans	11.8	9.3
Redemption of loans	(16.8)	(63.6)
Capital element of finance lease payments	(1.2)	(1.4)
Net cash used in financing activities	(6.2)	(55.7)
(Decrease)/increase in cash and cash equivalents	(0.2)	0.8
Opening cash and cash equivalents	54.8	1.7
Effect of exchange rate differences	-	(0.1)
Closing cash and cash equivalents	54.6	2.4

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The condensed financial statements for the three months ended 31 July 2010 were approved by the directors on 6 September 2010. 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 2010 except for the adoption, with effect from 1 May 2010, of new or revised accounting standards as set out below.

The financial statements have been prepared on the going concern basis as described in the corporate governance report included in the 2010 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 2010 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 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 following new standards, amendments to standards or interpretations are effective for the Group's accounting period beginning on 1 May 2010 and, where relevant, have been adopted. They have not had a material impact on the consolidated results or financial position of the Group:

- Amendments to IFRS 1 Additional exemptions for first-time adopters;
- Amendment to IFRS 1 Limited exemption from comparative IFRS 7 disclosures for first-time adopters;
- IAS 24 (revised) Related party disclosures;
- Amendment to IFRIC 14 Prepayments of minimum funding requirement;
- IFRIC 19 Extinguishing financial liabilities with equity instruments.

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

	2010	2009
Average for the quarter ended 31 July	1.49	1.61
At 31 July	1.57	1.66

2. Segmental analysis

Three months to 31 July	Revenue before exceptionals £m	Operating profit before amortisation £m	Amortisation £m	Operating profit £m
2010				
Sunbelt	199.4	29.7	(0.3)	29.4
A-Plant	39.7	2.0	(0.1)	1.9
Corporate costs	-	(1.5)	-	(1.5)
	239.1	30.2	(0.4)	29.8
2009				
Sunbelt	179.0	24.3	(0.5)	23.8
A-Plant	42.6	1.1	(0.1)	1.0
Corporate costs	-	(1.5)	-	(1.5)
	221.6	23.9	(0.6)	23.3

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

2. Segmental analysis

	Segment assets	Cash	Taxation assets	Other financial assets - derivatives	Total assets
At 31 July 2010					
Sunbelt	1,321.7	-	-	-	1,321.7
A-Plant	286.4	-	-	-	286.4
Central items	0.3	54.6	8.9	8.0	71.8
	1,608.4	54.6	8.9	8.0	1,679.9
At 30 April 2010					
Sunbelt	1,332.0	-	-	-	1,332.0
A-Plant	290.9	-	-	-	290.9
Central items	0.2	54.8	8.9	5.7	69.6
	1,623.1	54.8	8.9	5.7	1,692.5

3. Operating costs

	2010			2009		
	Before amortisation	Amortisation	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 July						
Staff costs:						
Salaries	65.2	-	65.2	64.4	-	64.4
Social security costs	4.9	-	4.9	5.1	-	5.1
Other pension costs	0.5	-	0.5	0.5	-	0.5
	70.6	-	70.6	70.0	-	70.0
Used rental equipment sold	8.3	-	8.3	4.4	1.2	5.6
Other operating costs:						
Vehicle costs	19.2	-	19.2	16.2	-	16.2
Spares, consumables & external repairs	14.6	-	14.6	13.4	-	13.4
Facility costs	12.4	-	12.4	11.4	-	11.4
Other external charges	35.6	-	35.6	34.6	-	34.6
	81.8	-	81.8	75.6	-	75.6
Depreciation and amortisation:						
Depreciation	48.2	-	48.2	47.7	-	47.7
Amortisation of acquired intangibles	-	0.4	0.4	-	0.6	0.6
	48.2	0.4	48.6	47.7	0.6	48.3
	208.9	0.4	209.3	197.7	1.8	199.5

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

	Three months to 31 July 2010 £m	2009 £m
Fair value remeasurements	2.5	-
Taxation on fair value remeasurements	(0.8)	-
Net fair value remeasurements	1.7	-
Amortisation of acquired intangibles (net of tax credit)	(0.3)	(0.4)
	1.4	(0.4)

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

	Three months to 31 July 2010 £m	2009 £m
Sale of used rental equipment	-	1.2
Used rental equipment sold	-	(1.2)
Amortisation of acquired intangibles	(0.4)	(0.6)
Charged in arriving at operating profit	(0.4)	(0.6)
Net financing costs	2.5	-
Charged in arriving at profit before tax	2.1	(0.6)
Taxation	(0.7)	0.2
	1.4	(0.4)

5. Financing costs

	Three months to 31 July 2010 £m	2009 £m
Investment income:		
Expected return on assets of defined benefit pension plan	(0.9)	(0.8)
Interest expense:		
Bank interest payable	4.5	2.9
Interest payable on second priority senior secured notes	11.9	11.1
Interest payable on finance leases	0.1	0.1
Non-cash unwind of discount on defined benefit pension plan liabilities	0.9	0.8
Non-cash unwind of discount on self-insurance provisions	0.4	0.3
Amortisation of deferred costs of debt raising	1.4	0.7
Total interest expense	19.2	15.9
Net financing costs before exceptional items	18.3	15.1
Fair value remeasurements	(2.5)	-
Net financing costs	15.8	15.1

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

6. Taxation

The tax charge for the period has been computed using an estimated effective rate for the quarter of 37% in the US (2009: 36%) and 30% in the UK (2009: 29%) applied to the profit before tax, exceptional items, amortisation of acquired intangibles and fair value remeasurements. The blended effective rate for the Group as a whole is 35%.

The tax charge of £4.2m (2009: £3.0m) on the underlying pre-tax profit of £11.9m (2009: £8.8m) can be explained as follows:

	Three months to 31 July	
	2010	2009
	£m	£m
Current tax	2.1	0.9
Deferred tax	2.1	2.1
Tax on underlying activities	4.2	3.0
Comprising:		
- UK tax	3.2	2.6
- US tax	1.0	0.4
	4.2	3.0

In addition, the tax charge of £0.7m (2009: credit of £0.2m) on exceptional costs (including amortisation and fair value remeasurements) of £2.1m (2009: £0.6m) consists of a deferred tax charge of £0.4m relating to the UK (2009: £nil) and a deferred tax charge of £0.3m (2009: credit of £0.2m) relating to the US.

7. Earnings per share

Basic and diluted earnings per share for the three months ended 31 July 2010 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	
		2010	2009
Profit for the financial period (£m)		9.1	5.4
Weighted average number of shares (m)	- basic	497.7	497.6
	- diluted	504.4	497.7
Basic earnings per share		1.8p	1.1p
Diluted earnings per share		1.8p	1.1p

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

7. Earnings per share (continued)

Underlying earnings per share (defined in any period as the earnings before exceptional items and amortisation of acquired intangibles 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 2010	2009
Basic earnings per share	1.8p	1.1p
Exceptional items and amortisation of acquired intangibles	(0.4p)	0.1p
Tax on exceptional items and amortisation	0.2p	-
Underlying earnings per share	1.6p	1.2p
Other deferred tax	0.4p	0.4p
Cash tax earnings per share	2.0p	1.6p

8. Property, plant and equipment

	2010		2009	
	Rental equipment	Total	Rental equipment	Total
Net book value	£m	£m	£m	£m
At 1 May	969.7	1,101.6	1,140.5	1,294.0
Exchange difference	(15.8)	(17.7)	(95.5)	(107.1)
Reclassifications	(0.2)	-	0.3	-
Additions	45.2	51.3	12.2	15.2
Disposals	(7.8)	(9.3)	(4.3)	(5.4)
Depreciation	(42.2)	(48.2)	(41.4)	(47.7)
At 31 July	948.9	1,077.7	1,011.8	1,149.0

9. Share capital

Ordinary shares of 10p each:

	2010 Number	2009 Number	2010 £m	2009 £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

There were no movements in shares authorised or allotted during the period. At 31 July 2010, 50m shares were held by the Company and a further 6m shares were held by the Company's Employee Share Ownership Trust.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

10. Notes to the cash flow statement

	Three months to 31 July 2010 £m	2009 £m
a) Cash flow from operating activities		
Operating profit before exceptional items and amortisation:	30.2	23.9
Depreciation	48.2	47.7
EBITDA before exceptional items	78.4	71.6
(Profit)/loss on disposal of rental equipment	(0.3)	0.7
Profit on disposal of other property, plant and equipment	(0.6)	(0.1)
Increase in inventories	(0.5)	(0.1)
Increase in trade and other receivables	(20.2)	(2.2)
Increase in trade and other payables	0.3	4.4
Exchange differences	(0.1)	0.2
Other non-cash movements	0.3	0.2
Cash generated from operations before exceptional items and changes in rental equipment	57.3	74.7

	Three months to 31 July 2010 £m	2009 £m
b) Reconciliation to net debt		
Decrease/(increase) in cash in the period	0.2	(0.8)
Decrease in debt through cash flow	(6.2)	(55.7)
Change in net debt from cash flows	(6.0)	(56.5)
Exchange differences	(19.8)	(107.6)
Non-cash movements:		
- deferred costs of debt raising	1.4	0.7
- capital element of new finance leases	0.9	-
Reduction in net debt in the period	(23.5)	(163.4)
Opening net debt	829.0	1,035.9
Closing net debt	805.5	872.5

c) Analysis of net debt

	1 May 2010 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	31 July 2010 £m
Cash	(54.8)	-	0.2	-	(54.6)
Debt due within 1 year	3.1	(0.1)	(1.4)	0.7	2.3
Debt due after 1 year	880.7	(19.7)	(4.8)	1.6	857.8
Total net debt	829.0	(19.8)	(6.0)	2.3	805.5

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

11. Contingent liabilities and contingent assets

There have been no significant changes in contingent liabilities from those reported at 30 April 2010.

REVIEW OF BALANCE SHEET AND CASH FLOW

Balance sheet

Fixed assets

Capital expenditure in the quarter was £51.3m (2009: £15.2m) with £45.2m invested in the rental fleet (2009: £12.2m). Expenditure on rental equipment was again entirely for replacement and comprised 88% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and to computer equipment. Capital expenditure by division was as follows:

	2010	2009
Sunbelt in $m	62.4	17.0
Sunbelt in £m	39.8	10.3
A-Plant	5.4	1.9
Total rental equipment	45.2	12.2
Delivery vehicles, property improvements & computers	6.1	3.0
Total additions	51.3	15.2

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 31 July 2010 was 44 months (2009: 37 months) on a net book value basis. Sunbelt's fleet had an average age of 46 months (2009: 40 months) comprising 47 months for aerial work platforms which have a longer life and 44 months for the remainder of its fleet while A-Plant's fleet had an average age of 38 months (2009: 29 months).

	Rental fleet at original cost					
	31 July 2010	30 April 2010	LTM average	LTM rental revenue	LTM dollar utilisation	LTM physical utilisation
Sunbelt in $m	2,117	2,094	2,118	992	47%	65%
Sunbelt in £m	1,351	1,368	1,352	665	47%	65%
A-Plant	327	321	321	150	47%	69%
	1,678	1,689	1,673	815		

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 2010, was 47% at both Sunbelt and 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 2010, average physical utilisation was 65% in Sunbelt (2009: 66%) and 69% at A-Plant (2009: 67%). At Sunbelt, physical utilisation is measured for equipment with an original cost in excess of £7,500 which comprised approximately 90% of its fleet at 31 July 2010.

Trade receivables

Receivable days at 31 July were 47 days (2009: 48 days). The bad debt charge for the quarter ended 31 July 2010 as a percentage of total turnover was 1.2% (2009: 1.1%). Trade receivables at 31 July 2010 of £127.2m (2009: £117.1m) are stated net of allowances for bad debts and credit notes of £16.3m (2009: £16.6m) with the allowance representing 11.3% (2009: 12.4%) of gross receivables.

Trade and other payables

Group payable days were 54 days in 2010 (2009: 47 days) with capital expenditure-related payables, which have longer payment terms, totalling £28.6m (2009: £4.9m). 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 2010 £m	Three months to 31 July 2009 £m	LTM to 31 July 2010 £m	Year to 30 April 2010 £m
EBITDA before exceptional items	78.4	71.6	261.9	255.1
Cash inflow from operations before exceptional items and changes in rental equipment	57.3	74.7	248.2	265.6
*Cash conversion ratio**	*73.1%*	*104.4%*	*94.8%*	*104.1%*
Maintenance rental capital paid	(45.7)	(16.4)	(65.4)	(36.1)
Payments for non-rental capital expenditure	(5.4)	(2.7)	(9.4)	(6.7)
Rental equipment disposal proceeds	7.9	5.9	28.8	26.8
Other property, plant and equipment disposal proceeds	2.0	0.8	5.2	4.0
Tax (paid)/received (net)	(1.3)	(0.5)	(0.5)	0.3
Net financing costs paid	(7.5)	(2.6)	(59.6)	(54.7)
Cash flow before payment of exceptional costs	**7.3**	**59.2**	**147.3**	**199.2**
Exceptional costs paid	(1.3)	(2.7)	(6.8)	(8.2)
Total cash generated from operations	**6.0**	**56.5**	**140.5**	**191.0**
Business disposals/(acquisitions)	-	-	(0.7)	(0.7)
Total cash generated	**6.0**	**56.5**	**139.8**	**190.3**
Dividends paid	-	-	(12.8)	(12.8)
Decrease in net debt	**6.0**	**56.5**	**127.0**	**177.5**

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

Cash inflow from operations before exceptional items and changes in rental equipment decreased 23.3% to £57.3m. The cash conversion ratio was 73.1% (2009: 104.4%) reflecting a £20m increase in trade and other receivables since April as quarterly revenues regained more usual seasonal patterns.

Total payments for capital expenditure (rental equipment and other PPE) were broadly in line with capital expenditure delivered into the fleet whilst disposal proceeds received totalled £9.9m. Net cash capital expenditure was therefore £41.2m in the quarter (2009: £12.4m).

Financing costs paid differ from the accounting charge in the income statement due to the timing of interest payments in the quarter and non-cash interest charges.

After exceptional costs paid of £1.3m, representing mostly vacant property costs all of which were provided for at 30 April 2010, the Group generated £6.0m of net cash inflow in the quarter which was applied to reduce outstanding debt.

Net debt

	31 July 2010 £m	31 July 2009 £m	30 April 2010 £m
First priority senior secured bank debt	355.5	396.5	367.5
Finance lease obligations	3.1	6.1	3.5
8.625% second priority senior secured notes, due 2015	156.6	147.3	160.2
9% second priority senior secured notes, due 2016	344.9	325.0	352.6
	860.1	874.9	883.8
Cash and cash equivalents	(54.6)	(2.4)	(54.8)
Total net debt	805.5	872.5	829.0

Net debt at 31 July 2010 was £805.5m with the reduction since April reflecting the cash generation set out above and currency fluctuations. The Group's underlying EBITDA for the twelve months ended 31 July 2010 was £261.9m and the ratio of net debt to underlying EBITDA was therefore 3.1 times at 31 July 2010 (30 April 2010: 3.2 times).

Under the terms of our extended asset-based senior bank facility, $1.3bn is committed until November 2013 whilst an additional $0.5bn continues to be available until August 2011. Our debt facilities remain committed for the long term, with an average of 4.8 years remaining at 31 July 2010. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 7.5%. Financial performance covenants under the two senior secured note issues are only measured at the time new debt is raised. There are two financial performance covenants under the asset-based first priority senior bank facility:

- funded debt to 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 $150m. At 31 July 2010 excess availability under the bank facility was $584m ($537m at 30 April 2010) making it unlikely that covenants will be measured. Additionally, although the senior debt covenants were not required to be measured at 31 July 2010, the Group was in compliance with both of them at that date. Accordingly, the Board continues to believe that it is appropriate to prepare the accounts 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 2010 Annual Report and Accounts on pages 23 to 31. 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.

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 2010 and represented approximately 80% 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 2010, a 1% change in the US dollar exchange rate would impact pre-tax profit by £40,000. In addition, the current trading and outlook section of this interim statement provides a commentary on market and economic conditions for the remainder of the financial year.

OPERATING STATISTICS

	Profit centre numbers			Staff numbers		
	31 July		30 April	31 July		30 April
	2010	2009	2010	2010	2009	2010
Sunbelt Rentals	344	398	393	5,328	5,818	5,334
A-Plant	103	115	105	1,849	1,933	1,872
Corporate office	-	-	-	10	12	12
Group	447	513	498	7,187	7,763	7,218

Sunbelt's store numbers include 40 Sunbelt at Lowes stores at 31 July 2010 (90 at 31 July 2009 and 89 at 30 April 2010). By agreement with Lowes 50 underperforming Sunbelt at Lowes stores were closed in July 2010 and at the same time Lowes agreed an extension to the lease for the remaining 40 stores until October 2012. The revenue and contribution from the closed stores in the 12 months ended 31 July 2010 was not significant to Sunbelt's overall performance.