6 December 2016

Unaudited results for the half year and second quarter ended 31 October 2016

	Second quarter			First half		
	2016	2015	Growth[1]	2016	2015	Growth[1]
	£m	£m	%	£m	£m	%
Underlying results[2]						
Rental revenue	783.8	589.0	14%	1,444.6	1,128.6	13%
EBITDA	417.4	309.1	15%	757.4	591.8	13%
Operating profit	267.8	201.9	13%	474.4	382.1	9%
Profit before taxation	242.3	182.0	14%	425.9	342.7	9%
Earnings per share	31.8p	24.1p	13%	56.0p	45.1p	9%
Statutory results						
Revenue	844.6	648.9	12%	1,551.7	1,267.5	8%
Profit before taxation	235.4	176.5	14%	413.3	331.9	9%
Earnings per share	30.9p	23.4p	13%	54.3p	43.7p	9%

Highlights

- Group rental revenue up 13%[1]
- First half underlying pre-tax profit[2] of £426m, up 9% at constant exchange rates
- Group EBITDA margins at a record 49% (2015: 47%)
- Group RoI[3] of 18% (2015: 19%)
- Net debt to EBITDA leverage[1] of 1.8 times (2015: 1.9 times)
- Interim dividend raised 19% to 4.75p per share (2015: 4.0p)

1 Calculated at constant exchange rates applying current period exchange rates.
2 Underlying results are stated before intangible amortisation.
3 Last 12-month underlying operating profit divided by the last 12-month average of the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and deferred tax.

Ashtead's chief executive, Geoff Drabble, commented:

"The Group delivered a strong quarter with reported rental revenue increasing 28% (13% at constant exchange rates) for the six months and underlying pre-tax profit of £426m. The underlying performance of the business continues to benefit from a clear and consistent strategy of organic growth supplemented by bolt-on acquisitions. In the six months, the reported results were positively impacted by weaker sterling (£53m) but this was partially offset by the impact of lower gains on fleet disposals (£14m) as we reduced our replacement capital expenditure.

I am pleased with the continued improvement in our margins – Group EBITDA margin is now a record 49% (2015: 47%). These healthy margins and our strong balance sheet provide flexibility to continue to invest in our long-term structural growth opportunity and enhance returns to shareholders.

We continue to grow responsibly, adhering to the capital allocation priorities we have outlined. We have therefore invested £683m by way of capital expenditure and a further £142m on bolt-on acquisitions. With the continuing opportunity for profitable growth, we have increased our full year capital expenditure guidance. In addition, we spent £48m under the share buyback programme and increased the interim dividend by 19%. All of this was achieved whilst maintaining leverage well within our stated range of 1.5 to 2.0 times net debt to EBITDA.

Both divisions continue to perform at the upper end of expectations. This, together with the benefit of significantly weaker sterling, means we expect full year results to be ahead of our expectations and the Board continues to look to the medium term with confidence."

Contacts:

Geoff Drabble	Chief executive	+44 (0)20 7726 9700
Suzanne Wood	Finance director	
Will Shaw	Director of Investor Relations	
Becky Mitchell	Maitland	+44 (0)20 7379 5151
Tom Eckersley	Maitland	

Geoff Drabble and Suzanne Wood will hold a meeting for equity analysts to discuss the results and outlook at 9am on Tuesday, 6 December 2016 at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. The meeting will be webcast live via the Company's website at www.ashtead-group.com and a replay will also be available via the website from shortly after the meeting concludes. A copy of this announcement and the slide presentation used for the call will also be available for download on the Company's website. The usual conference call for bondholders will begin at 3.30pm (10.30am EST).

Analysts and bondholders have already been invited to participate in the analyst meeting and conference call for bondholders but any eligible person not having received dial-in details should contact the Company's PR advisers, Maitland (Audrey Da Costa) at +44 (0)20 7379 5151.

Forward looking statements

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

First half trading results

	Revenue 2016	Revenue 2015	EBITDA 2016	EBITDA 2015	Operating profit 2016	Operating profit 2015
Sunbelt in $m	1,814.4	1,685.1	923.8	819.3	595.7	547.4
Sunbelt in £m	1,352.4	1,089.2	688.6	529.6	444.0	353.8
A-Plant	199.3	178.3	76.2	68.9	37.9	35.0
Group central costs	-	-	(7.4)	(6.7)	(7.5)	(6.7)
	1,551.7	1,267.5	757.4	591.8	474.4	382.1
Net financing costs					(48.5)	(39.4)
Profit before amortisation and tax					**425.9**	**342.7**
Amortisation					(12.6)	(10.8)
Profit before taxation					413.3	331.9
Taxation					(141.8)	(113.0)
Profit attributable to equity holders of the Company					271.5	218.9
Margins						
Sunbelt			*50.9%*	*48.6%*	*32.8%*	*32.5%*
A-Plant			*38.3%*	*38.6%*	*19.0%*	*19.6%*
Group			*48.8%*	*46.7%*	*30.6%*	*30.1%*

Group revenue increased 22% to £1,552m in the first half (2015: £1,267m) with strong growth in both Sunbelt and A-Plant. Overall revenue growth reflects the benefit of weaker sterling, partially offset as expected by a lower level of used equipment sales due to lower replacement capital expenditure. This revenue growth, combined with strong drop-through, generated underlying profit before tax of £426m (2015: £343m).

The Group's strategy remains unchanged with growth being driven by strong same-store growth supplemented by greenfield openings and bolt-on acquisitions, with Sunbelt and A-Plant delivering 14% and 16% rental only revenue growth respectively. Sunbelt's revenue growth continues to benefit from cyclical and structural trends which can be explained as follows:

		$m
2015 rental only revenue		1,187
Same-stores (in existence at 1 May 2015)	+7%	80
Bolt-ons and greenfields since 1 May 2015	+7%	86
2016 rental only revenue	+14%	1,353
Ancillary revenue	+8%	341
2016 rental revenue	+13%	1,694
Sales revenue	-34%	120
2016 total revenue	+8%	1,814

The mix of our revenue growth demonstrates the successful execution of our long-term structural growth strategy. We continue to capitalise on the opportunity presented by our markets with same-store growth of 7% and bolt-ons and greenfields contributing another 7% growth as we expand our geographic footprint and our specialty businesses. As we embark on our US plan for 2021, we have made good progress on new stores with 42 added in the first half through greenfields and bolt-ons, half of which were specialty locations.

Rental only revenue growth was 14% in generally strong end markets. This growth was driven by increased fleet on rent. Average first half physical utilisation was 73% (2015: 73%). Sunbelt's total revenue, including new and used equipment, merchandise and consumable sales, increased 8% to $1,814m (2015: $1,685m), reflecting the lower level of used equipment sales as a result of lower replacement capital expenditure.

A-Plant continues to perform well and delivered rental only revenue of £152m, up 16% on the prior year (2015: £131m). This reflects increased fleet on rent. A-Plant's total revenue increased 12% to £199m (2015: £178m), again reflecting lower used equipment sales.

We continue to focus on operational efficiency and driving improving margins. In Sunbelt, 64% of revenue growth dropped through to EBITDA (66% US only). The strength of our mature stores' incremental margin is reflected in the fact that this was achieved despite the drag effect of greenfield openings and acquisitions. Stores open for more than one year saw 72% of revenue growth drop-through to EBITDA (73% US only). This strong drop-through drove an improved EBITDA margin of 51% (2015: 49%) and contributed to an operating profit of $596m (2015: $547m). Excluding the impact of gains on used equipment sales, operating profit increased 12% over the prior year.

A-Plant's drop-through of 41%, 48% on a same store basis, contributed to an EBITDA margin of 38% (2015: 39%) and operating profit rose to £38m (2015: £35m). Excluding the impact of gains on used equipment sales, EBITDA margins were the same as a year ago and operating profit increased 20%.

Reflecting the strong performance of the divisions, and with the benefit of weaker sterling, Group underlying operating profit increased 24% to £474m (2015: £382m). Net financing costs increased to £49m (2015: £39m), reflecting higher average debt and weaker sterling.

Group profit before amortisation of intangibles and taxation was £426m (2015: £343m). After a tax charge of 34% (2015: 34%) of the underlying pre-tax profit, underlying earnings per share increased 24% to 56.0p (2015: 45.1p).

With amortisation of £13m (2015: £11m), statutory profit before tax was £413m (2015: £332m). After a tax charge of 34% (2015: 34%), basic earnings per share were 54.3p (2015: 43.7p). The cash tax charge was 6%.

Capital expenditure and acquisitions

Capital expenditure for the first half was £683m gross and £631m net of disposal proceeds (2015: £696m gross and £598m net). This level of capital expenditure is towards the upper end of our expectations at this stage of the year for 2016/17. As a result, we have revised our capital expenditure guidance for the full year to £1 – 1.2bn at current exchange rates. Reflecting this investment, the Group's rental fleet at 31 October 2016 at cost was £5.9bn. Our average fleet age is now 26 months (2015: 24 months).

We invested £142m, including acquired debt, (2015: £25m) on 11 bolt-on acquisitions during the first half as we continue to both expand our footprint and diversify into specialty markets.

Return on Investment

Sunbelt's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 31 October 2016 was 23% (2015: 25%). This remains well ahead of the Group's pre-tax weighted average cost of capital although it has been affected in the short term by our investment in greenfields and bolt-on acquisitions and our young fleet age. In the UK, return on investment (excluding goodwill and intangible assets) was 14% (2015: 13%). For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2015: 19%).

Cash flow and net debt

As expected, debt increased during the first half as we invested in the fleet and made a number of bolt-on acquisitions. In addition, weaker sterling increased reported debt by £377m. During the first half, we spent £48m on share buybacks.

Net debt at 31 October 2016 was £2,694m (2015: £1,982m) while, reflecting our strong earnings growth, the ratio of net debt to EBITDA reduced to 1.8 times (2015: 1.9 times) on a constant currency basis. This is in the middle of the Group's target range for net debt to EBITDA of 1.5 to 2 times, broadly where we expect to remain.

The Group's debt package is well structured and flexible, enabling us to optimise the opportunity presented by end market conditions. The Group's debt facilities are committed for an average of five years. At 31 October 2016, availability under the senior secured debt facility was $768m, with an additional $1,967m of suppressed availability - substantially above the $260m level at which the Group's entire debt package is covenant free.

Dividend

In line with its policy of providing a progressive dividend, having regard to both underlying profit and cash generation and to sustainability through the economic cycle, the Board has increased the interim dividend 19% to 4.75p per share (2015: 4.0p per share). This will be paid on 8 February 2017 to shareholders on record on 20 January 2017.

Current trading and outlook

Both divisions continue to perform at the upper end of expectations. This, together with the benefit of significantly weaker sterling, means we expect full year results to be ahead of our expectations and the Board continues to look to the medium term with confidence.

Directors' responsibility statement

We confirm that to the best of our knowledge:

a) the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'; and

b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and Disclosure and Transparency Rule 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Eric Watkins
Company secretary

5 December 2016

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 OCTOBER 2016

	2016			2015		
	Before amortisation £m	Amortisation £m	Total £m	Before amortisation £m	Amortisation £m	Total £m
Second quarter – unaudited						
Revenue						
Rental revenue	783.8	-	783.8	589.0	-	589.0
Sale of new equipment, merchandise and consumables	28.9	-	28.9	21.6	-	21.6
Sale of used rental equipment	31.9	-	31.9	38.3	-	38.3
	844.6	-	844.6	648.9	-	648.9
Operating costs						
Staff costs	(185.5)	-	(185.5)	(145.6)	-	(145.6)
Used rental equipment sold	(26.7)	-	(26.7)	(31.2)	-	(31.2)
Other operating costs	(215.0)	-	(215.0)	(163.0)	-	(163.0)
	(427.2)	-	(427.2)	(339.8)	-	(339.8)
EBITDA*	417.4	-	417.4	309.1	-	309.1
Depreciation	(149.6)	-	(149.6)	(107.2)	-	(107.2)
Amortisation of intangibles	-	(6.9)	(6.9)	-	(5.5)	(5.5)
Operating profit	267.8	(6.9)	260.9	201.9	(5.5)	196.4
Investment income	0.1	-	0.1	0.1	-	0.1
Interest expense	(25.6)	-	(25.6)	(20.0)	-	(20.0)
Profit on ordinary activities before taxation	242.3	(6.9)	235.4	182.0	(5.5)	176.5
Taxation	(83.4)	2.3	(81.1)	(61.2)	1.8	(59.4)
Profit attributable to equity holders of the Company	158.9	(4.6)	154.3	120.8	(3.7)	117.1
Basic earnings per share	31.8p	(0.9p)	30.9p	24.1p	(0.7p)	23.4p
Diluted earnings per share	31.7p	(0.9p)	30.8p	24.0p	(0.8p)	23.2p

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

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

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

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2016

	2016			2015		
	Before amortisation £m	Amortisation £m	Total £m	Before amortisation £m	Amortisation £m	Total £m
First half - unaudited						
Revenue						
Rental revenue	1,444.6	-	1,444.6	1,128.6	-	1,128.6
Sale of new equipment, merchandise and consumables	58.3	-	58.3	44.9	-	44.9
Sale of used rental equipment	48.8	-	48.8	94.0	-	94.0
	1,551.7	-	1,551.7	1,267.5	-	1,267.5
Operating costs						
Staff costs	(351.2)	-	(351.2)	(284.7)	-	(284.7)
Used rental equipment sold	(42.0)	-	(42.0)	(73.7)	-	(73.7)
Other operating costs	(401.1)	-	(401.1)	(317.3)	-	(317.3)
	(794.3)	-	(794.3)	(675.7)	-	(675.7)
EBITDA*	757.4	-	757.4	591.8	-	591.8
Depreciation	(283.0)	-	(283.0)	(209.7)	-	(209.7)
Amortisation of intangibles	-	(12.6)	(12.6)	-	(10.8)	(10.8)
Operating profit	474.4	(12.6)	461.8	382.1	(10.8)	371.3
Investment income	0.1	-	0.1	0.1	-	0.1
Interest expense	(48.6)	-	(48.6)	(39.5)	-	(39.5)
Profit on ordinary activities before taxation	425.9	(12.6)	413.3	342.7	(10.8)	331.9
Taxation	(145.9)	4.1	(141.8)	(116.5)	3.5	(113.0)
Profit attributable to equity holders of the Company	280.0	(8.5)	271.5	226.2	(7.3)	218.9
Basic earnings per share	56.0p	(1.7p)	54.3p	45.1p	(1.4p)	43.7p
Diluted earnings per share	55.8p	(1.7p)	54.1p	44.9p	(1.5p)	43.4p

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited			
	Three months to 31 October		Six months to 31 October	
	2016 £m	2015 £m	2016 £m	2015 £m
Profit attributable to equity holders of the Company for the period	154.3	117.1	271.5	218.9
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	122.4	9.1	243.8	(4.0)
Total comprehensive income for the period	276.7	126.2	515.3	214.9

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 2016

	Unaudited 31 October 2016	Unaudited 31 October 2015	Audited 30 April 2016
	£m	£m	£m
Current assets			
Inventories	49.4	30.1	41.3
Trade and other receivables	607.8	462.3	455.7
Current tax asset	24.9	-	7.5
Cash and cash equivalents	10.2	5.3	13.0
	692.3	497.7	517.5
Non-current assets			
Property, plant and equipment			
- rental equipment	4,191.0	2,909.9	3,246.9
- other assets	419.1	305.9	341.9
	4,610.1	3,215.8	3,588.8
Goodwill	704.0	519.2	556.7
Other intangible assets	123.6	92.4	83.8
Net defined benefit pension plan asset	2.2	3.0	2.2
	5,439.9	3,830.4	4,231.5
Total assets	6,132.2	4,328.1	4,749.0
Current liabilities			
Trade and other payables	514.9	452.0	480.5
Current tax liability	7.5	26.7	3.6
Debt due within one year	2.7	2.3	2.5
Provisions	31.0	30.9	28.9
	556.1	511.9	515.5
Non-current liabilities			
Debt due after more than one year	2,702.0	1,984.6	2,012.2
Provisions	21.9	20.8	17.6
Deferred tax liabilities	996.6	555.5	723.3
	3,720.5	2,560.9	2,753.1
Total liabilities	4,276.6	3,072.8	3,268.6
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
Own shares held by the Company	(81.1)	(33.1)	(33.1)
Own shares held through the ESOT	(16.7)	(16.7)	(16.2)
Cumulative foreign exchange translation differences	332.2	34.7	88.4
Retained reserves	1,561.4	1,210.6	1,381.5
Equity attributable to equity holders of the Company	1,855.6	1,255.3	1,480.4
Total liabilities and equity	6,132.2	4,328.1	4,749.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 OCTOBER 2016

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non-distributable reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
Unaudited									
At 1 May 2015	55.3	3.6	0.9	90.7	(33.1)	(15.5)	38.7	970.9	1,111.5
Profit for the period	-	-	-	-	-	-	-	218.9	218.9
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	(4.0)	-	(4.0)
Total comprehensive income for the period	-	-	-	-	-	-	(4.0)	218.9	214.9
Dividends paid	-	-	-	-	-	-	-	(61.4)	(61.4)
Own shares purchased by the ESOT	-	-	-	-	-	(10.9)	-	-	(10.9)
Share-based payments	-	-	-	-	-	9.7	-	(7.3)	2.4
Tax on share-based payments	-	-	-	-	-	-	-	(1.2)	(1.2)
Transfer of non-distributable reserve	-	-	-	(90.7)	-	-	-	90.7	-
At 31 October 2015	55.3	3.6	0.9	-	(33.1)	(16.7)	34.7	1,210.6	1,255.3
Profit for the period	-	-	-	-	-	-	-	188.7	188.7
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	53.7	-	53.7
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	-	(0.6)	(0.6)
Tax on defined benefit pension plan	-	-	-	-	-	-	-	0.1	0.1
Total comprehensive income for the period	-	-	-	-	-	-	53.7	188.2	241.9
Dividends paid	-	-	-	-	-	-	-	(20.1)	(20.1)
Own shares purchased by the ESOT	-	-	-	-	-	(1.1)	-	-	(1.1)
Share-based payments	-	-	-	-	-	1.6	-	0.7	2.3
Tax on share-based payments	-	-	-	-	-	-	-	2.1	2.1
At 30 April 2016	55.3	3.6	0.9	-	(33.1)	(16.2)	88.4	1,381.5	1,480.4
Profit for the period	-	-	-	-	-	-	-	271.5	271.5
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	243.8	-	243.8
Total comprehensive income for the period	-	-	-	-	-	-	243.8	271.5	515.3
Dividends paid	-	-	-	-	-	-	-	(92.4)	(92.4)
Own shares purchased by the ESOT	-	-	-	-	-	(7.1)	-	-	(7.1)
Own shares purchased by the Company	-	-	-	-	(48.0)	-	-	-	(48.0)
Share-based payments	-	-	-	-	-	6.6	-	(3.8)	2.8
Tax on share-based payments	-	-	-	-	-	-	-	4.6	4.6
At 31 October 2016	55.3	3.6	0.9	-	(81.1)	(16.7)	332.2	1,561.4	1,855.6

The non-distributable reserve related to the reserve created on the cancellation of the then share premium account in August 2005. This reserve became distributable in August 2015 and was transferred to distributable reserves in the year ended 30 April 2016.

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2016

	Unaudited	
	2016	2015
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	703.5	503.9
Payments for rental property, plant and equipment	(657.8)	(676.2)
Proceeds from disposal of rental property, plant and equipment	68.8	77.3
Cash generated from/(used in) operations	114.5	(95.0)
Financing costs paid (net)	(46.7)	(38.4)
Tax paid (net)	(35.3)	(14.4)
Net cash generated from/(used in) operating activities	32.5	(147.8)
Cash flows from investing activities		
Acquisition of businesses	(125.4)	(28.5)
Payments for non-rental property, plant and equipment	(51.6)	(57.0)
Proceeds from disposal of non-rental property, plant and equipment	8.6	3.8
Payments for purchase of intangible assets	(9.1)	-
Net cash used in investing activities	(177.5)	(81.7)
Cash flows from financing activities		
Drawdown of loans	419.0	315.4
Redemption of loans	(128.9)	(18.0)
Capital element of finance lease payments	(1.1)	(0.7)
Dividends paid	(92.4)	(61.4)
Purchase of own shares by the ESOT	(7.1)	(10.9)
Purchase of own shares by the Company	(48.0)	-
Net cash from financing activities	141.5	224.4
Decrease in cash and cash equivalents	(3.5)	(5.1)
Opening cash and cash equivalents	13.0	10.5
Effect of exchange rate difference	0.7	(0.1)
Closing cash and cash equivalents	10.2	5.3

Reconciliation of net cash flows to net debt

	2016	2015
Decrease in cash in the period	3.5	5.1
Increase in debt through cash flow	289.0	296.7
Change in net debt from cash flows	292.5	301.8
Debt acquired	21.3	0.3
Exchange differences	377.4	(9.0)
Non-cash movements:		
- deferred costs of debt raising	1.0	0.8
- capital element of new finance leases	0.6	0.6
Increase in net debt in the period	692.8	294.5
Net debt at 1 May	2,001.7	1,687.1
Net debt at 31 October	2,694.5	1,981.6

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Ashtead Group plc ('the Company') is a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange. The condensed consolidated interim financial statements as at, and for the six months ended, 31 October 2016 comprise the Company and its subsidiaries ('the Group').

The condensed consolidated interim financial statements for the six months ended 31 October 2016 were approved by the directors on 5 December 2016.

The condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 April 2016 were approved by the directors on 13 June 2016 and have been mailed to shareholders and filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matter by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements are unaudited but have been reviewed by the Group's auditors. Their report is on page 28.

2. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 October 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and relevant International Financial Reporting Standards ('IFRS') as adopted by the European Union (including IAS 34, Interim Financial Reporting).

The accounting policies applied in the condensed consolidated interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 April 2016. There are no new IFRS and IFRIC Interpretations that are effective for the first time for this interim period which have a material impact on the Group.

The Directors have adopted various alternative performance measures to provide additional useful information on the underlying trends, performance and position of the Group. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures, but are defined within these interim financial statements.

The condensed consolidated interim financial statements have been prepared on the going concern basis. The Group's internal budgets and forecasts of future performance, available financing facilities and facility headroom (see note 11), provide a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the condensed consolidated interim financial statements.

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

	2016	2015
Average for the three months ended 31 October	1.29	1.54
Average for the six months ended 31 October	1.34	1.55
At 30 April	1.47	1.54
At 31 October	1.22	1.54

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis

	Revenue	Operating profit before amortisation	Amortisation	Operating profit
	£m	£m	£m	£m
Three months to 31 October				
2016				
Sunbelt	741.7	251.6	(5.0)	246.6
A-Plant	102.9	20.3	(1.9)	18.4
Corporate costs	-	(4.1)	-	(4.1)
	844.6	267.8	(6.9)	260.9
2015				
Sunbelt	560.6	187.6	(4.3)	183.3
A-Plant	88.3	18.0	(1.2)	16.8
Corporate costs	-	(3.7)	-	(3.7)
	648.9	201.9	(5.5)	196.4
Six months to 31 October				
2016				
Sunbelt	1,352.4	444.0	(9.4)	434.6
A-Plant	199.3	37.9	(3.2)	34.7
Corporate costs	-	(7.5)	-	(7.5)
	1,551.7	474.4	(12.6)	461.8
2015				
Sunbelt	1,089.2	353.8	(8.4)	345.4
A-Plant	178.3	35.0	(2.4)	32.6
Corporate costs	-	(6.7)	-	(6.7)
	1,267.5	382.1	(10.8)	371.3

	Segment assets	Cash	Taxation assets	Total assets
	£m	£m	£m	£m
At 31 October 2016				
Sunbelt	5,354.9	-	-	5,354.9
A-Plant	741.7	-	-	741.7
Corporate items	0.5	10.2	24.9	35.6
	6,097.1	10.2	24.9	6,132.2
At 30 April 2016				
Sunbelt	4,117.9	-	-	4,117.9
A-Plant	610.1	-	-	610.1
Corporate items	0.5	13.0	7.5	21.0
	4,728.5	13.0	7.5	4,749.0

Sunbelt includes Sunbelt Rentals of Canada Inc..

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. Operating costs and other income

	2016			2015		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 October						
Staff costs:						
Salaries	170.3	-	170.3	133.5	-	133.5
Social security costs	12.2	-	12.2	10.0	-	10.0
Other pension costs	3.0	-	3.0	2.1	-	2.1
	185.5	-	185.5	145.6	-	145.6
Used rental equipment sold	26.7	-	26.7	31.2	-	31.2
Other operating costs:						
Vehicle costs	44.9	-	44.9	35.9	-	35.9
Spares, consumables & external repairs	40.4	-	40.4	30.6	-	30.6
Facility costs	23.1	-	23.1	18.4	-	18.4
Other external charges	106.6	-	106.6	78.1	-	78.1
	215.0	-	215.0	163.0	-	163.0
Depreciation and amortisation:						
Depreciation	149.6	-	149.6	107.2	-	107.2
Amortisation of intangibles	-	6.9	6.9	-	5.5	5.5
	149.6	6.9	156.5	107.2	5.5	112.7
	576.8	6.9	583.7	447.0	5.5	452.5
Six months to 31 October						
Staff costs:						
Salaries	321.0	-	321.0	260.2	-	260.2
Social security costs	24.0	-	24.0	19.7	-	19.7
Other pension costs	6.2	-	6.2	4.8	-	4.8
	351.2	-	351.2	284.7	-	284.7
Used rental equipment sold	42.0	-	42.0	73.7	-	73.7
Other operating costs:						
Vehicle costs	83.1	-	83.1	69.2	-	69.2
Spares, consumables & external repairs	75.3	-	75.3	60.0	-	60.0
Facility costs	43.7	-	43.7	35.3	-	35.3
Other external charges	199.0	-	199.0	152.8	-	152.8
	401.1	-	401.1	317.3	-	317.3
Depreciation and amortisation:						
Depreciation	283.0	-	283.0	209.7	-	209.7
Amortisation of intangibles	-	12.6	12.6	-	10.8	10.8
	283.0	12.6	295.6	209.7	10.8	220.5
	1,077.3	12.6	1,089.9	885.4	10.8	896.2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Amortisation

Amortisation relates to the periodic write-off of intangible assets. The Group believes this item should be disclosed separately within the consolidated income statement to assist in the understanding of the financial performance of the Group. Underlying profit and earnings per share are stated before amortisation of intangibles.

	Three months to 31 October		Six months to 31 October	
	2016	2015	2016	2015
	£m	£m	£m	£m
Amortisation of intangibles	6.9	5.5	12.6	10.8
Taxation	(2.3)	(1.8)	(4.1)	(3.5)
	4.6	3.7	8.5	7.3

6. Net financing costs

	Three months to 31 October		Six months to 31 October	
	2016	2015	2016	2015
	£m	£m	£m	£m
Investment income:				
Net interest on the net defined benefit asset	(0.1)	(0.1)	(0.1)	(0.1)
Interest expense:				
Bank interest payable	8.1	5.2	14.8	10.0
Interest payable on second priority senior secured notes	16.8	14.1	32.3	28.0
Interest payable on finance leases	-	0.1	0.1	0.2
Non-cash unwind of discount on provisions	0.2	0.2	0.4	0.5
Amortisation of deferred debt raising costs	0.5	0.4	1.0	0.8
Total interest expense	25.6	20.0	48.6	39.5
Net financing costs	25.5	19.9	48.5	39.4

7. Taxation

The tax charge for the period has been computed using a tax rate of 39% in North America (2015: 39%) and 20% in the UK (2015: 20%). The blended rate for the Group as a whole is 34% (2015: 34%).

The tax charge of £145.9m (2015: £116.5m) on the underlying profit before taxation of £425.9m (2015: £342.7m) can be explained as follows:

	Six months to 31 October	
	2016	2015
	£m	£m
Current tax		
- current tax on income for the period	25.6	61.3
- adjustments to prior year	-	0.1
	25.6	61.4
Deferred tax		
- origination and reversal of temporary differences	121.0	55.5
- adjustments to prior year	(0.7)	(0.4)
	120.3	55.1
Tax on underlying activities	145.9	116.5

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Taxation (continued)

	Six months to 31 October 2016 £m	2015 £m
Comprising:		
- UK	7.8	8.1
- North America	138.1	108.4
	145.9	116.5

In addition, the tax credit of £4.1m (2015: £3.5m) on amortisation of £12.6m (2015: £10.8m) consists of a deferred tax credit of £0.6m relating to the UK (2015: £0.3m) and £3.5m (2015: £3.2m) relating to North America.

8. Earnings per share

Basic and diluted earnings per share for the three and six months ended 31 October 2016 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held by the Company and 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 October		Six months to 31 October	
		2016	2015	2016	2015
Profit for the financial period (£m)		154.3	117.1	271.5	218.9
Weighted average number of shares (m)	- basic	498.8	501.4	499.9	501.4
	- diluted	500.9	503.8	502.0	504.0
Basic earnings per share		30.9p	23.4p	54.3p	43.7p
Diluted earnings per share		30.8p	23.2p	54.1p	43.4p

Underlying earnings per share (defined in any period as the earnings before amortisation of intangibles 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 October		Six months to 31 October	
	2016	2015	2016	2015
Basic earnings per share	30.9p	23.4p	54.3p	43.7p
Amortisation of intangibles	1.3p	1.1p	2.5p	2.1p
Tax on amortisation	(0.4p)	(0.4p)	(0.8p)	(0.7p)
Underlying earnings per share	31.8p	24.1p	56.0p	45.1p

9. Dividends

During the period, a final dividend in respect of the year ended 30 April 2016 of 18.5p (2015: 12.25p) per share was paid to shareholders costing £92.4m (2015: £61.4m). In addition, the directors are proposing an interim dividend in respect of the year ending 30 April 2017 of 4.75p per share (2016: 4.0p) to be paid on 8 February 2017 to shareholders on record on 20 January 2017.

10. Property, plant and equipment

Net book value	2016 Rental equipment £m	2016 Total £m	2015 Rental equipment £m	2015 Total £m
At 1 May	3,246.9	3,588.8	2,534.2	2,811.1
Exchange difference	547.4	599.5	(12.5)	(13.8)
Reclassifications	(1.5)	-	(0.8)	-
Additions	626.3	682.5	638.2	696.0
Acquisitions	70.2	74.7	7.5	8.1
Disposals	(49.2)	(52.4)	(72.6)	(75.9)
Depreciation	(249.1)	(283.0)	(184.1)	(209.7)
At 31 October	4,191.0	4,610.1	2,909.9	3,215.8

11. Borrowings

	31 October 2016 £m	30 April 2016 £m
Current		
Finance lease obligations	2.7	2.5
Non-current		
First priority senior secured bank debt	1,555.4	1,055.2
Finance lease obligations	2.3	2.9
6.5% second priority senior secured notes, due 2022	741.1	618.2
5.625% second priority senior secured notes, due 2024	403.2	335.9
	2,702.0	2,012.2

The senior secured bank debt and the senior secured notes are secured by way of, respectively, first and second priority fixed and floating charges over substantially all the Group's property, plant and equipment, inventory and trade receivables.

Under the terms of our asset-based senior bank facility, $2.6bn is committed until July 2020. The $900m 6.5% senior secured notes mature in July 2022, whilst the $500m 5.625% senior secured notes mature in October 2024. Our debt facilities therefore remain committed for the long term, with an average of five years remaining. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 4%. The terms of the $900m and $500m senior secured notes are such that financial performance covenants are only measured at the time new debt is raised.

There is one financial performance covenant under the first priority senior bank facility. That is, the 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.

This covenant does not apply when availability exceeds $260m. At 31 October 2016, availability under the senior secured bank facility was $768m ($1,126m at 30 April 2016), with an additional $1,967m of suppressed availability, meaning that the covenant was not measured at 31 October 2016 and is unlikely to be measured in forthcoming quarters.

As a matter of good practice, we calculate the covenant ratio each quarter. At 31 October 2016, the fixed charge ratio exceeded the covenant requirement. Accordingly, the condensed consolidated interim financial statements are prepared on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Borrowings (continued)

Fair value of financial instruments

At 31 October 2016, the Group had no derivative financial instruments.

With the exception of the Group's second priority senior secured notes, the carrying value of non-derivative financial assets and liabilities is considered to materially equate to their fair value.

The carrying value of the second priority senior secured notes due 2022, excluding deferred debt raising costs, was £751m at 31 October 2016 (£627m at 30 April 2016), while the fair value was £789m (£661m at 30 April 2016). The carrying value of the second priority senior secured notes due 2024, excluding deferred debt raising costs, was £409m at 31 October 2016 (£341m at 30 April 2016) while the fair value was £431m (£353m at 30 April 2016). The fair value of the second priority senior secured notes has been calculated using quoted market prices at 31 October 2016.

12. Share capital

Ordinary shares of 10p each:

	31 October 2016 Number	30 April 2016 Number	31 October 2016 £m	30 April 2016 £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

During the period, the Company purchased 4.1m ordinary shares at a total cost of £48m under the share buyback programme announced in June 2016, which are held in treasury. At 31 October 2016, 54m (April 2016: 50m) shares were held by the Company and a further 1.7m (April 2016: 1.8m) shares were held by the Company's Employee Share Ownership Trust.

13. Notes to the cash flow statement

	Six months to 31 October 2016 £m	2015 £m
a) Cash flow from operating activities		
Operating profit before amortisation	474.4	382.1
Depreciation	283.0	209.7
EBITDA before exceptional items	757.4	591.8
Profit on disposal of rental equipment	(6.8)	(20.3)
Profit on disposal of other property, plant and equipment	(0.1)	(0.4)
Decrease/(increase) in inventories	2.8	(5.6)
Increase in trade and other receivables	(82.0)	(65.5)
Increase in trade and other payables	29.4	1.5
Other non-cash movements	2.8	2.4
Cash generated from operations before exceptional items and changes in rental equipment	703.5	503.9

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. Notes to the cash flow statement (continued)

b) Analysis of net debt

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

	1 May 2016 £m	Exchange movement £m	Debt acquired £m	Cash flow £m	Non-cash movements £m	31 October 2016 £m
Cash	(13.0)	(0.7)	-	3.5	-	(10.2)
Debt due within one year	2.5	-	7.2	(8.2)	1.2	2.7
Debt due after one year	2,012.2	378.1	14.1	297.2	0.4	2,702.0
Total net debt	2,001.7	377.4	21.3	292.5	1.6	2,694.5

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

c) Acquisitions

	Six months to 31 October	
	2016 £m	2015 £m
Cash consideration paid:		
- acquisitions in the period	119.2	25.1
- contingent consideration	6.2	3.4
	125.4	28.5

During the period, 11 acquisitions were made with cash paid of £119m (2015: £25m), after taking account of net cash acquired of £1.9m. Further details are provided in note 14.

Contingent consideration of £6m (2015: £3m) was paid related to prior year acquisitions.

14. Acquisitions

During the period, the following acquisitions were completed:

(i) On 2 May 2016 Sunbelt acquired the business and assets of I & L Rentals, LLC ('I & L') for a cash consideration of £46m ($67m). I & L is a general equipment rental business in Hawaii.

(ii) On 20 May 2016 Sunbelt acquired the business and assets of LoadBanks of America ('LBA'), a division of Austin Welder & Generator Services, Inc. for a cash consideration of £4m ($6m). LBA provides testing solutions for power systems.

(iii) On 20 May 2016 A-Plant acquired the entire issued share capital of Mather & Stuart Limited ('Mather & Stuart') for a cash consideration of £11m and acquired debt of £3m. Mather & Stuart is a temporary power rental business.

(iv) On 6 June 2016 Sunbelt acquired the business and assets of Portable Rental Solutions, Inc. and One Source Cooling, LLC (collectively 'PRS') for a cash consideration of £7m ($11m). PRS is a temporary heating and cooling business in Texas.

(v) On 12 August 2016 Sunbelt acquired certain business and assets of CanSource Direct Inc. and CSL Safety Training Ltd. (together 'CSD') for an aggregate cash consideration of £5m (C$9m). CSD is an aerial work platform rental business in Alberta, Canada.

(vi) On 24 August 2016 Sunbelt acquired the rental business and assets of Tower Tech, Inc. ('Tower Tech') for a cash consideration of £10m ($13m). Tower Tech provides cooling solutions.

(vii) On 27 September 2016 A-Plant acquired the entire issued share capital of Tool and Engineering Services Limited ('TES') for a cash consideration of £1m. TES is a welding equipment rental business.

(viii) On 6 October 2016 Sunbelt acquired certain business and assets of the Post Falls branch of BlueLine Rental, LLC ('Post Falls') for a cash consideration of £3m ($4m). Post Falls is a general equipment rental business in Idaho.

(ix) On 12 October 2016 A-Plant acquired the entire issued share capital of Lion Trackhire Limited ('Lion') for a cash consideration of £22m. Including acquired debt, the total consideration was £38m. Lion provides temporary access solutions to the events and industrial sectors.

(x) On 12 October 2016 Sunbelt acquired the business and assets of Rick's Action Rental, LLC ('RAR') for a cash consideration of £0.3m ($0.4m). RAR is a general equipment rental business in Michigan.

(xi) On 31 October 2016 A-Plant acquired the entire issued share capital of Opti-cal Survey Equipment Limited ('Opti-cal') for an initial cash consideration of £11m, with contingent consideration of up to £3m payable over the next two years. Opti-cal is a survey equipment business.

14. Acquisitions (continued)

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

	Fair value to Group £m
Net assets acquired	
Trade and other receivables	12.7
Inventory	3.2
Property, plant and equipment	
- rental equipment	70.2
- other assets	4.5
Creditors	(10.8)
Debt	(21.3)
Current tax	(0.3)
Deferred tax	(4.9)
Intangible assets (non-compete agreements and customer relationships)	28.9
	82.2
Consideration:	
- cash paid and due to be paid (net of cash acquired)	121.1
- contingent consideration payable in cash	2.8
	123.9
Goodwill	41.7

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the synergies and other benefits the Group expects to derive from the acquisitions. The synergies and other benefits include elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group's financial strength to invest in the acquired business and drive improved returns through a semi-fixed cost base and the application of the Group's proprietary software to optimise revenue opportunities. £22m of the goodwill is expected to be deductible for income tax purposes.

The gross value and fair value of trade receivables at acquisition was £13m.

Due to the operational integration of acquired businesses with Sunbelt and A-Plant post acquisition, in particular due to the merger of some stores, the movement of rental equipment between stores and investment in the rental fleet, it is not practical to report the revenue and profit of the acquired businesses post acquisition.

The revenue and operating profit of these acquisitions from 1 May 2016 to their date of acquisition was not material.

15. Contingent liabilities

There have been no significant changes in contingent liabilities from those reported in the financial statements for the year ended 30 April 2016.

16. Events after the balance sheet date

Since the balance sheet date:

(i) On 18 November 2016 Sunbelt acquired the business and assets of four branches of BlueLine Rental, LLC in New Mexico and El Paso, Texas for a cash consideration of £22m ($27m). These are general equipment rental businesses.

(ii) On 22 November 2016 A-Plant acquired certain assets of Hewden Stuart Limited ("Hewden") from EY, the administrator of Hewden for £29m.

REVIEW OF SECOND QUARTER, BALANCE SHEET AND CASH FLOW

Second quarter

	Revenue		EBITDA		Operating profit	
	2016	2015	2016	2015	2016	2015
Sunbelt in $m	961.3	864.3	494.9	428.9	326.8	289.2
Sunbelt in £m	741.7	560.6	381.6	278.2	251.6	187.6
A-Plant	102.9	88.3	39.8	34.6	20.3	18.0
Group central costs	-	-	(4.0)	(3.7)	(4.1)	(3.7)
	844.6	648.9	417.4	309.1	267.8	201.9
Net financing costs					(25.5)	(19.9)
Profit before amortisation and tax					**242.3**	**182.0**
Amortisation					(6.9)	(5.5)
Profit before taxation					235.4	176.5
Margins						
Sunbelt			*51.5%*	*49.6%*	*34.0%*	*33.5%*
A-Plant			*38.7%*	*39.1%*	*19.8%*	*20.3%*
Group			*49.4%*	*47.6%*	*31.7%*	*31.1%*

Group revenue increased 30% to £845m in the second quarter (2015: £649m) with strong growth in both businesses, and the benefit of weaker sterling. This revenue growth, combined with continued focus on operational efficiency, generated underlying profit before tax of £242m (2015: £182m).

As for the half year, the Group's growth was driven by strong same store growth supplemented by greenfield openings and bolt-on acquisitions. Sunbelt's revenue growth for the quarter can be analysed as follows:

		$m
2015 rental only revenue		621
Same stores (in existence at 1 August 2015)	+8%	47
Bolt-ons and greenfields since 1 August 2015	+7%	46
2016 rental only revenue	+15%	714
Ancillary revenue	+9%	180
2016 rental revenue	+14%	894
Sales revenue	-14%	67
2016 total revenue	+11%	961

Our same-store growth of 8% is double that of the rental market as we continue to take market share. In addition, bolt-ons and greenfields have contributed a further 7% growth as we execute our long-term structural growth strategy of expanding our geographic footprint and our specialty businesses. Total rental only revenue growth of 15% was driven by an increase in fleet on rent.

A-Plant continues to perform well and delivered rental only revenue up 17% at £77m (2015: £66m) in the quarter. This reflected increased fleet on rent.

Group operating profit increased 33% to £268m (2015: £202m). Net financing costs increased to £26m (2015: £20m) reflecting the higher level of debt in the period and the impact of weaker sterling. As a result, Group profit before amortisation and taxation was £242m (2015: £182m). After amortisation of £7m, the statutory profit before taxation was £235m (2015: £177m).

Balance sheet

Fixed assets

Capital expenditure in the first half totalled £683m (2015: £696m) with £626m invested in the rental fleet (2015: £638m). 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:

	2016 Replacement	2016 Growth	2016 Total	2015 Total
Sunbelt in $m	130.0	539.8	669.8	838.6
Sunbelt in £m	106.4	442.0	548.4	543.0
A-Plant	22.1	55.8	77.9	95.2
Total rental equipment	128.5	497.8	626.3	638.2
Delivery vehicles, property improvements & IT equipment			56.2	57.8
Total additions			682.5	696.0

In a strong North American rental market, $540m of rental equipment capital expenditure was spent on growth while, with a lower replacement need, only $130m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that replacement capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 31 October 2016 was 26 months (2015: 24 months) on a net book value basis. Sunbelt's fleet had an average age of 26 months (2015: 24 months) while A-Plant's fleet had an average age of 28 months (2015: 26 months).

	Rental fleet at original cost			LTM rental	LTM dollar	LTM physical
	31 Oct 2016	30 April 2016	LTM average	revenue	utilisation	utilisation
Sunbelt in $m	6,266	5,663	5,712	3,114	55%	70%
Sunbelt in £m	5,131	3,866	4,676	2,227	55%	70%
A-Plant	721	615	640	340	53%	69%
	5,852	4,481	5,316	2,567		

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 October 2016, was 55% at Sunbelt (2015: 58%) and 53% at A-Plant (2015: 53%). The reduction in Sunbelt reflects the drag effect of greenfield openings and acquisitions and the increased cost of fleet. 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 October 2016, average physical utilisation at Sunbelt was 70% (2015: 70%) and 69% at A-Plant (2015: 68%). At Sunbelt, physical utilisation is measured for equipment with an original cost in excess of $7,500 which comprised approximately 86% of its fleet at 31 October 2016.

Trade receivables

Receivable days at 31 October 2016 were 50 days (2015: 49 days). The bad debt charge for the last twelve months ended 31 October 2016 as a percentage of total turnover was 0.8% (2015: 0.7%). Trade receivables at 31 October 2016 of £517m (2015: £399m) are stated net of allowances for bad debts and credit notes of £38m (2015: £26m) with the allowance representing 6.8% (2015: 6.2%) of gross receivables.

Trade and other payables

Group payable days were 62 days in 2016 (2015: 62 days) with capital expenditure related payables, which have longer payment terms, totalling £202m (2015: £222m). 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

	Six months to 31 October 2016 £m	Six months to 31 October 2015 £m	LTM to 31 October 2016 £m	Year to 30 April 2016 £m
EBITDA before exceptional items	757.4	591.8	1,343.2	1,177.6
Cash inflow from operations before exceptional items and changes in rental equipment	703.5	503.9	1,270.2	1,070.6
*Cash conversion ratio**	*92.9%*	*85.1%*	*94.6%*	*90.9%*
Replacement rental capital expenditure	(194.9)	(238.1)	(409.4)	(452.6)
Payments for non-rental capital expenditure	(60.7)	(57.0)	(113.2)	(109.5)
Rental equipment disposal proceeds	68.8	77.3	163.6	172.1
Other property, plant and equipment disposal proceeds	8.6	3.8	13.0	8.2
Tax (net)	(35.3)	(14.4)	(26.2)	(5.3)
Financing costs	(46.7)	(38.4)	(87.7)	(79.4)
Cash inflow before growth capex and payment of exceptional costs	**443.3**	**237.1**	**810.3**	**604.1**
Growth rental capital expenditure	(462.9)	(438.1)	(696.9)	(672.1)
Total cash used in operations	**(19.6)**	**(201.0)**	**113.4**	**(68.0)**
Business acquisitions	(125.4)	(28.5)	(165.3)	(68.4)
Total cash absorbed	**(145.0)**	**(229.5)**	**(51.9)**	**(136.4)**
Dividends	(92.4)	(61.4)	(112.5)	(81.5)
Purchase of own shares by the Company	(48.0)	-	(48.0)	-
Purchase of own shares by the ESOT	(7.1)	(10.9)	(8.2)	(12.0)
Increase in net debt due to cash flow	**(292.5)**	**(301.8)**	**(220.6)**	**(229.9)**

* 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 40% to £703m. The first half cash conversion ratio improved to 93% (2015: 85%) reflecting a slightly lower seasonal increase in working capital and lower gains on disposal of rental equipment.

Total payments for capital expenditure (rental equipment, other PPE and purchased intangibles) in the first half were £718m (2015: £733m). Disposal proceeds received totalled £77m (2015: £81m), giving net payments for capital expenditure of £641m in the period (2015: £652m). Financing costs paid totalled £47m (2015: £38m) while tax payments were £35m (2015: £14m). Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges.

Accordingly, in the first half the Group generated £443m (2015: £237m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet and on acquisitions. After growth investment and acquisitions, there was a net cash outflow of £145m (2015: £229m).

Net debt

	31 October		30 April
	2016	2015	2016
	£m	£m	£m
First priority senior secured bank debt	1,555.4	1,076.2	1,055.2
Finance lease obligations	5.0	5.6	5.4
6.5% second priority senior secured notes, due 2022	741.1	586.7	618.2
5.625% second priority senior secured notes, due 2024	403.2	318.4	335.9
	2,704.7	1,986.9	2,014.7
Cash and cash equivalents	(10.2)	(5.3)	(13.0)
Total net debt	2,694.5	1,981.6	2,001.7

Net debt at 31 October 2016 was £2,694m with the increase since 30 April 2016 reflecting the net cash outflow set out above and the significant impact of weaker sterling (£377m). The Group's EBITDA for the twelve months ended 31 October 2016 was £1,343m and the ratio of net debt to EBITDA was 1.8 times at 31 October 2016 (2015: 1.9 times) on a constant currency basis and 2.0 times (2015: 1.9 times) on a reported 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 broadly unchanged from those detailed in the 2016 Annual Report and Accounts on pages 30 to 32 and page 39 respectively.

The principal risks and uncertainties facing the Group are:

- economic conditions;
- competition;
- financing;
- business continuity;
- people;
- health and safety;
- environmental; and
- laws and regulations.

Further details, including actions taken to mitigate these risks, are provided within the 2016 Annual Report and Accounts.

We are cognisant of the result of the referendum in favour of the UK leaving the European Union. Whilst we do not believe the impact of the UK leaving the European Union will have a material impact on the Group, we continue to monitor developments in this area and the impact on our UK business, which contributed 14% of Group revenue and 10% of Group underlying profit before taxation in 2015/16. The risk of the macro-economic effects of the UK leaving the EU is addressed through the Group's existing 'economic conditions' risk. In the period since the referendum, the principal impact on the Group has been due to weaker sterling which has increased the sterling value of our US dollar denominated revenue, profits and net assets. Our borrowing facilities are US dollar denominated, and with c.90% of our debt drawn in US dollars, weaker sterling has had minimal impact on our availability.

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. The Group has arranged its financing such that, at 31 October 2016, 86% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 31 October 2016, dollar-denominated debt represented approximately 59% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 31 October 2016, a 1% change in the US dollar exchange rate would impact underlying pre-tax profit by approximately £7m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 October		30 April	31 October		30 April
	2016	2015	2016	2016	2015	2016
Sunbelt	596	540	559	10,102	9,914	10,125
A-Plant	168	141	156	3,284	2,889	2,968
Corporate office	-	-	-	13	11	13
Group	764	681	715	13,399	12,814	13,106

Sunbelt's rental store number includes 21 Sunbelt at Lowes stores at 31 October 2016 (2015: 30).

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF ASHTEAD GROUP PLC

We have been engaged by the Company to review the condensed consolidated interim financial statements for the six months ended 31 October 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union and issued by the IASB. The condensed consolidated interim financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements for the six months ended 31 October 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
London, United Kingdom
Chartered Accountants and Statutory Auditor
5 December 2016