6 September 2011

Unaudited results for the first quarter ended 31 July 2011

	2011	2010	Change Actual	Change At constant rates
	£m	£m	%	%
Underlying results[1]				
Revenue	268.6	239.1	+12%	+21%
EBITDA	93.9	78.4	+20%	+29%
Operating profit	46.2	30.2	+53%	+66%
Profit before taxation	33.8	11.9	+184%	+211%
Earnings per share	4.3p	1.6p	+174%	+212%
Statutory results				
Profit before taxation	33.1	14.0	+136%	+148%
Earnings per share	4.2p	1.8p	+127%	+141%

[1] Before amortisation of acquired intangibles and fair value remeasurements

Highlights

- Q1 pre-tax profits[1] of £34m up 211% at constant exchange rates
  - More than the £31m earned in the full year ended April 2011
- Sunbelt's rental revenue up 21% driven by continuing strength in both fleet on rent and yield
- Sunbelt's operating profit margin increases to 20% (2010: 15%) with RoI of 10% (2010: 6%)
- A-Plant's rental revenue rises 12%
- No debt maturities until 2016
- Board now anticipates a full year result substantially ahead of its previous expectations

Ashtead's chief executive, Geoff Drabble, commented:

"Our end construction markets continue to behave in line with our expectations and now appear to be broadly flattening after two years of significant decline. Against this backdrop, the 21% rental revenue and 67% profit growth achieved at Sunbelt show that we are clearly benefitting from the ongoing structural change in the US rental market. Sunbelt has also now delivered 15 consecutive months of year on year rental revenue growth. These structural trends are likely to continue with further increases in rental penetration and Sunbelt's market share expected.

Together with our ongoing improvement in both yield and operational efficiency, these trends resulted in a very strong quarter with pre-tax profits of £34m. August's US rental revenues continued this pattern with growth of 25%. As a result, the Board now anticipates a full year result substantially ahead of its previous expectations."

Contacts:

Geoff Drabble	Chief executive	+44 (0)20 7726 9700
Ian Robson	Finance director	
Brian Hudspith	Maitland	+44 (0)20 7379 5151

Geoff Drabble and Ian Robson will host a meeting with equity analysts to discuss the first quarter results and outlook at 8.30am on Tuesday 6 September at the offices of UBS at 100 Liverpool Street, London, EC2M 2RH. The meeting will be webcast live for the information of shareholders and investors 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 meeting concludes. There will, as usual, also be a separate call for bondholders which will be held at 4.00pm UK time (11.00am EST). Analysts and bondholders have already been invited to these meetings but any eligible person not holding an invitation should contact Astrid Wright at Maitland on +44 207 379 5151.

Trading results

	Revenue 2011	Revenue 2010	EBITDA 2011	EBITDA 2010	Operating profit 2011	Operating profit 2010
Sunbelt in $m	361.1	297.3	134.6	100.8	73.9	44.2
Sunbelt in £m	222.5	199.4	82.9	67.6	45.6	29.7
A-Plant	46.1	39.7	12.6	12.3	2.3	2.0
Group central costs	-	-	(1.6)	(1.5)	(1.7)	(1.5)
	268.6	239.1	93.9	78.4	46.2	30.2
Net financing costs					(12.4)	(18.3)
Profit before tax, remeasurements and amortisation					**33.8**	**11.9**
Fair value remeasurements					-	2.5
Amortisation					(0.7)	(0.4)
Profit before taxation					33.1	14.0
Taxation					(12.4)	(4.9)
Profit attributable to equity holders of the Company					20.7	9.1
Margins						
Sunbelt			*37.3%*	*33.9%*	*20.5%*	*14.9%*
A-Plant			*27.3%*	*31.0%*	*5.0%*	*5.1%*
Group			*34.9%*	*32.8%*	*17.2%*	*12.6%*

First quarter results reflect continued improvement in the US with Sunbelt's rental revenue growing 21% to $328m (2010: $271m). This comprised a 10% volume increase in fleet on rent, 7% higher yield and a first-time contribution from Empire Scaffold. In the UK, A-Plant's first quarter rental revenue grew by 12% to £42m (2010: £38m) including 3% growth in average fleet on rent and 5% yield improvement.

Total revenue growth for the Group of 21% at constant rates (12% at actual rates) also included higher used equipment sales revenue of £14m (2010: £9m) as we increased capital expenditure and hence sold more used equipment.

Costs remained under close control with the reported growth in staff costs being due principally to the first time inclusion of Empire. Consequently, Sunbelt's EBITDA increased by $34m or 76% of the net $45m increase in Q1 rental revenue as adjusted to exclude the $12m first time impact of Empire's largely pass-through erection and dismantling labour recovery billings. This high "drop through" demonstrates the benefits of the significant operational gearing in the business.

Group pre-tax profit before amortisation of acquired intangibles and fair value remeasurements grew to £34m, 2.8 times greater than 2010's £12m. This reflected the operating profit growth and lower net financing costs of £12m (2010: £18m), mainly as a result of the benefits of the debt refinancing undertaken in the fourth quarter of 2010/11.

After £1m of intangible amortisation, the statutory profit before tax was £33m (2010: £14m). The effective tax rate on the underlying pre-tax profit was 37% (2010: 35%). Underlying earnings per share grew 174% to 4.3p (2010: 1.6p) whilst basic earnings per share were 4.2p (2010: 1.8p).

Capital expenditure

Capital expenditure this year will, as usual, be concentrated in the first, second and fourth quarters of the year as we maximise expenditure for the seasonally stronger summer months. Accordingly Q1 expenditure was £156m gross and £140m net of disposal proceeds (2010: £51m gross and £41m net). As a result the average age of the Group's rental fleet at 31 July 2011 was 40 months (2010: 44 months)

Sunbelt's fleet size at 31 July of $2.3bn is 9% larger than it was a year ago whilst average first quarter physical utilisation was 72% (2010: 69%) as we successfully put the new equipment received this quarter out on rent.

For the year as a whole we continue to anticipate investing around 175% of depreciation or about £325m gross and £250m net of disposal proceeds. This rate of investment will hold the fleet size at around the size reached at the end of the quarter, giving us the fleet needed to service the increased demand we are generating and enabling us to continue to reduce fleet age enhancing the quality of our offering to our customers.

Return on Investment

Sunbelt's pre-tax return on investment (operating profit to the sum of net tangible assets, goodwill and other intangibles) in the 12 months to 31 July 2011 recovered to 10.0% (2010: 6.3%) and, despite end construction markets remaining at 30 year lows, already exceeds the Group's pre-tax weighted average cost of capital. In the UK, return on investment remains weak at 1.2% (2010: 1.1%) reflecting continuing excessive supply in the UK market. For the Group as a whole, returns are 8.1% representing a substantial recovery from last year's 5.2%.

Cash flow and net debt

Debt increased this quarter in line with plan. This resulted from the capital expenditure made to grow and renew the fleet and due to the usual seasonal increase in working capital that occurs in the first quarter as activity rises in the summer months. We expect the working capital increase to largely reverse in the second half. Net debt at 31 July 2011 was £848m (2010: £806m) whilst the ratio of net debt to EBITDA was 2.8 times (2010: 3.1 times), well within our 2-3x target band.

The Group's two debt facilities remain committed until 2016 (March 2016 for the senior bank facility and August 2016 for the $550m senior secured notes) whilst ABL availability was $511m - substantially above the $168m level at which the Group's entire debt package is covenant free.

Current trading and outlook

August saw both Sunbelt and A-Plant deliver good year-on-year revenue and profit growth continuing the pattern established in the first quarter. Given the on-going structural change in the US rental market and the strong current performance, the Board now anticipates a full year result substantially ahead of its previous expectations.

Forward looking statements

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

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2011

	2011			2010		
	Before amortisation £m	Amortisation £m	Total £m	Before amortisation and remeasurements £m	Amortisation and remeasurements £m	Total £m
Revenue						
Rental revenue	243.9	-	243.9	219.6	-	219.6
Sale of new equipment, merchandise and consumables	10.6	-	10.6	11.0	-	11.0
Sale of used rental equipment	14.1	-	14.1	8.5	-	8.5
	268.6	-	268.6	239.1	-	239.1
Operating costs						
Staff costs	(79.5)	-	(79.5)	(70.6)	-	(70.6)
Used rental equipment sold	(12.1)	-	(12.1)	(8.3)	-	(8.3)
Other operating costs	(83.1)	-	(83.1)	(81.8)	-	(81.8)
	(174.7)	-	(174.7)	(160.7)	-	(160.7)
EBITDA*	93.9	-	93.9	78.4	-	78.4
Depreciation	(47.7)	-	(47.7)	(48.2)	-	(48.2)
Amortisation	-	(0.7)	(0.7)	-	(0.4)	(0.4)
Operating profit	46.2	(0.7)	45.5	30.2	(0.4)	29.8
Investment income	1.0	-	1.0	0.9	2.5	3.4
Interest expense	(13.4)	-	(13.4)	(19.2)	-	(19.2)
Profit on ordinary activities before taxation	33.8	(0.7)	33.1	11.9	2.1	14.0
Taxation:						
- current	(2.5)	-	(2.5)	(2.1)	-	(2.1)
- deferred	(10.1)	0.2	(9.9)	(2.1)	(0.7)	(2.8)
	(12.6)	0.2	(12.4)	(4.2)	(0.7)	(4.9)
Profit attributable to equity holders of the Company	21.2	(0.5)	20.7	7.7	1.4	9.1
Basic earnings per share	4.3p	(0.1p)	4.2p	1.6p	0.2p	1.8p
Diluted earnings per share	4.2p	(0.1p)	4.1p	1.5p	0.3p	1.8p

* 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 2011

	2011 £m	2010 £m
Profit attributable to equity holders of the Company for the period	20.7	9.1
Foreign currency translation differences	3.3	(5.0)
Tax on share-based payments	-	0.3
Total comprehensive income for the period	24.0	4.4

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 2011

	Unaudited 31 July 2011 £m	Unaudited 31 July 2010 £m	Audited 30 April 2011 £m
Current assets			
Inventories	11.9	10.2	11.5
Trade and other receivables	173.4	152.2	155.3
Current tax asset	2.1	1.1	2.3
Cash and cash equivalents	12.6	54.6	18.8
	200.0	218.1	187.9
Non-current assets			
Property, plant and equipment			
- rental equipment	1,009.1	948.9	914.5
- other assets	135.5	128.8	121.7
	1,144.6	1,077.7	1,036.2
Intangible assets - brand names and other acquired intangibles	11.8	2.9	12.3
Goodwill	360.4	365.4	354.9
Deferred tax asset	0.3	7.8	1.1
Defined benefit pension fund surplus	6.5	-	6.1
Other financial assets – derivatives	-	8.0	-
	1,523.6	1,461.8	1,410.6
Total assets	1,723.6	1,679.9	1,598.5
Current liabilities			
Trade and other payables	197.7	137.9	174.6
Current tax liability	3.2	2.8	2.4
Debt due within one year	1.6	2.3	1.7
Provisions	9.9	11.9	9.6
	212.4	154.9	188.3
Non-current liabilities			
Debt due after more than one year	858.7	857.8	792.8
Provisions	23.1	28.4	23.3
Deferred tax liabilities	124.5	126.2	112.7
Defined benefit pension fund deficit	-	7.6	-
	1,006.3	1,020.0	928.8
Total liabilities	1,218.7	1,174.9	1,117.1
Equity			
Share capital	55.3	55.3	55.3
Share premium account	3.6	3.6	3.6
Capital redemption reserve	0.9	0.9	0.9
Non-distributable reserve	90.7	90.7	90.7
Own shares held by the Company	(33.1)	(33.1)	(33.1)
Own shares held through the ESOT	(6.7)	(6.3)	(6.7)
Cumulative foreign exchange translation differences	5.9	15.1	2.6
Retained reserves	388.3	378.8	368.1
Equity attributable to equity holders of the Company	504.9	505.0	481.4
Total liabilities and equity	1,723.6	1,679.9	1,598.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 JULY 2011

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Non-distributable reserve £m	Own shares held by the Company £m	Own shares held by the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
At 1 May 2010	55.3	3.6	0.9	90.7	(33.1)	(6.3)	20.1	369.1	500.3
Profit for the period	-	-	-	-	-	-	-	9.1	9.1
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	(5.0)	-	(5.0)
Tax on share-based payments	-	-	-	-	-	-	-	0.3	0.3
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
Loss for the period	-	-	-	-	-	-	-	(8.2)	(8.2)
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	(12.5)	-	(12.5)
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	-	-	12.9	12.9
Tax on defined benefit pension scheme	-	-	-	-	-	-	-	(3.4)	(3.4)
Tax on share-based payments	-	-	-	-	-	-	-	(0.3)	(0.3)
Total comprehensive income for the period	-	-	-	-	-	-	(12.5)	1.0	(11.5)
Dividends paid	-	-	-	-	-	-	-	(14.6)	(14.6)
Own shares purchased by the ESOT	-	-	-	-	-	(0.4)	-	-	(0.4)
Share-based payments	-	-	-	-	-	-	-	1.3	1.3
Tax on share-based payments	-	-	-	-	-	-	-	1.6	1.6
At 30 April 2011	55.3	3.6	0.9	90.7	(33.1)	(6.7)	2.6	368.1	481.4
Profit for the period	-	-	-	-	-	-	-	20.7	20.7
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	-	-	3.3	-	3.3
Total comprehensive income for the period	-	-	-	-	-	-	3.3	20.7	24.0
Share-based payments	-	-	-	-	-	-	-	0.5	0.5
Tax on share-based payments	-	-	-	-	-	-	-	(1.0)	(1.0)
At 31 July 2011	55.3	3.6	0.9	90.7	(33.1)	(6.7)	5.9	388.3	504.9

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 JULY 2011

	2011	2010
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	58.2	57.3
Exceptional operating costs paid	(0.9)	(1.3)
Payments for rental property, plant and equipment	(108.9)	(45.7)
Proceeds from disposal of rental property, plant and equipment	15.8	7.9
Cash (used in)/generated from operations	(35.8)	18.2
Financing costs paid (net)	(4.0)	(7.5)
Tax paid (net)	(1.5)	(1.3)
Net cash (used in)/from operating activities	(41.3)	9.4
Cash flows from investing activities		
Payments for non-rental property, plant and equipment	(19.5)	(5.4)
Proceeds on disposal of non-rental property, plant and equipment	2.0	2.0
Net cash used in investing activities	(17.5)	(3.4)
Cash flows from financing activities		
Drawdown of loans	60.3	11.8
Redemption of loans	(7.3)	(16.8)
Capital element of finance lease payments	(0.4)	(1.2)
Net cash from/(used in) financing activities	52.6	(6.2)
Decrease in cash and cash equivalents	(6.2)	(0.2)
Opening cash and cash equivalents	18.8	54.8
Closing cash and cash equivalents	12.6	54.6

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The condensed financial statements for the three months ended 31 July 2011 were approved by the directors on 5 September 2011. 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 2011.

The financial statements have been prepared on the going concern basis as described in the corporate governance report included in the 2011 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 2011 were prepared in accordance with relevant IFRS and have been mailed to shareholders and filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not include a reference to any matter by way of emphasis without qualifying the report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

	2011	2010
Average for the quarter ended 31 July	1.62	1.49
At 31 July	1.64	1.57

2. Segmental analysis

	Revenue	Operating profit before amortisation	Amortisation	Operating profit
	£m	£m	£m	£m
Three months to 31 July				
2011				
Sunbelt	222.5	45.6	(0.3)	45.3
A-Plant	46.1	2.3	(0.4)	1.9
Corporate costs	-	(1.7)	-	(1.7)
	268.6	46.2	(0.7)	45.5
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

	Segment assets	Cash	Taxation assets	Total assets
At 31 July 2011				
Sunbelt	1,419.1	-	-	1,419.1
A-Plant	289.2	-	-	289.2
Central items	0.3	12.6	2.4	15.3
	1,708.6	12.6	2.4	1,723.6
At 30 April 2011				
Sunbelt	1,284.4	-	-	1,284.4
A-Plant	291.8	-	-	291.8
Central items	0.1	18.8	3.4	22.3
	1,576.3	18.8	3.4	1,598.5

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

3. Operating costs

	2011			2010		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 July						
Staff costs:						
Salaries	73.0	-	73.0	65.2	-	65.2
Social security costs	5.1	-	5.1	4.9	-	4.9
Other pension costs	1.4	-	1.4	0.5	-	0.5
	79.5	-	79.5	70.6	-	70.6
Used rental equipment sold	12.1	-	12.1	8.3	-	8.3
Other operating costs:						
Vehicle costs	20.7	-	20.7	19.2	-	19.2
Spares, consumables & external repairs	14.8	-	14.8	14.6	-	14.6
Facility costs	10.6	-	10.6	12.4	-	12.4
Other external charges	37.0	-	37.0	35.6	-	35.6
	83.1	-	83.1	81.8	-	81.8
Depreciation and amortisation:						
Depreciation	47.7	-	47.7	48.2	-	48.2
Amortisation of acquired intangibles	-	0.7	0.7	-	0.4	0.4
	47.7	0.7	48.4	48.2	0.4	48.6
	222.4	0.7	223.1	208.9	0.4	209.3

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.

There were no exceptional items either this year or last. Amortisation of acquired intangibles and fair value remeasurements are as set out below.

	Three months to 31 July	
	2011	2010
	£m	£m
Fair value remeasurements	-	2.5
Amortisation of acquired intangibles	(0.7)	(0.4)
	(0.7)	2.1
Taxation	0.2	(0.7)
	(0.5)	1.4

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

	Three months to 31 July	
	2011	2010
	£m	£m
Amortisation of acquired intangibles	(0.7)	(0.4)
Charged in arriving at operating profit	(0.7)	(0.4)
Net financing costs	-	2.5
Charged in arriving at profit before tax	(0.7)	2.1
Taxation thereon	0.2	(0.7)
	(0.5)	1.4

5. Financing costs

	Three months to 31 July	
	2011	2010
	£m	£m
Investment income:		
Expected return on assets of defined benefit pension plan	(1.0)	(0.9)
Interest expense:		
Bank interest payable	4.1	4.5
Interest payable on second priority senior secured notes	7.6	11.9
Interest payable on finance leases	0.1	0.1
Non-cash unwind of discount on defined benefit pension plan liabilities	0.7	0.9
Non-cash unwind of discount on self-insurance provisions	0.3	0.4
Amortisation of deferred costs of debt raising	0.6	1.4
Total interest expense	13.4	19.2
Net financing costs before remeasurements	12.4	18.3
Fair value remeasurements	-	(2.5)
Net financing costs	12.4	15.8

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

6. Taxation

The tax charge for the period has been computed using an estimated effective rate of 40% in the US (2010: 37%) and 28% in the UK (2010: 30%). The blended effective rate for the Group as a whole is 37% of the profit before tax, amortisation of acquired intangibles and fair value remeasurements.

The tax charge of £12.6m (2010: £4.2m) on the underlying pre-tax profit of £33.8m (2010: £11.9m) is as follows:

	Three months to 31 July 2011 £m	2010 £m
Current tax		
- current tax on income for the year	2.5	2.1
- adjustments to prior year	-	-
	2.5	2.1
Deferred tax		
- origination and reversal of temporary differences	9.9	2.1
- adjustments to prior year	0.2	-
	10.1	2.1
Tax on underlying activities	12.6	4.2
Comprising:		
- UK tax	2.7	3.2
- US tax	9.9	1.0
	12.6	4.2

In addition, the tax credit of £0.2m (2010: charge of £0.7m) on exceptional costs (including amortisation and fair value remeasurements) of £0.7m (2010: credit of £2.1m) consists of a deferred tax credit of £0.1m relating to the UK (2010: charge of £0.4m) and a deferred tax credit of £0.1m (2010: charge of £0.3m) relating to the US.

7. Earnings per share

Basic and diluted earnings per share for the three months ended 31 July 2011 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 2011	2010
Profit for the financial period (£m)		20.7	9.1
Weighted average number of shares (m)	- basic	497.7	497.7
	- diluted	505.1	504.4
Basic earnings per share		4.2p	1.8p
Diluted earnings per share		4.1p	1.8p

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

7. Earnings per share (continued)

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

	Three months to 31 July	
	2011	2010
Basic earnings per share	4.2p	1.8p
Amortisation of acquired intangibles and fair value remeasurements	0.1p	(0.4p)
Tax on amortisation and remeasurements	-	0.2p
Underlying earnings per share	4.3p	1.6p
Other deferred tax	2.0p	0.4p
Cash tax earnings per share	6.3p	2.0p

8. Property, plant and equipment

	2011		2010	
	Rental equipment	Total	Rental equipment	Total
Net book value	£m	£m	£m	£m
At 1 May	914.5	1,036.2	969.7	1,101.6
Exchange difference	12.1	13.4	(15.8)	(17.7)
Reclassifications	(0.1)	-	(0.2)	-
Additions	136.2	156.2	45.2	51.3
Acquisitions	(0.1)	(0.1)	-	-
Disposals	(11.7)	(13.4)	(7.8)	(9.3)
Depreciation	(41.8)	(47.7)	(42.2)	(48.2)
At 31 July	1,009.1	1,144.6	948.9	1,077.7

9. Share capital

Ordinary shares of 10p each:

	2011	2010	2011	2010
	Number	Number	£m	£m
Authorised	900,000,000	900,000,000	90.0	90.0
Allotted, called up and fully paid	553,325,554	553,325,554	55.3	55.3

At 31 July 2011, 50m shares were held by the Company and a further 5.6m 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 2011 £m	2010 £m
a) Cash flow from operating activities		
Operating profit before exceptional items and amortisation	46.2	30.2
Depreciation	47.7	48.2
EBITDA before exceptional items	93.9	78.4
Profit on disposal of rental equipment	(2.0)	(0.3)
Profit on disposal of other property, plant and equipment	(0.4)	(0.6)
Increase in inventories	(0.2)	(0.5)
Increase in trade and other receivables	(18.4)	(20.2)
(Decrease)/increase in trade and other payables	(15.1)	0.3
Exchange differences	-	(0.1)
Other non-cash movements	0.4	0.3
Cash generated from operations before exceptional items and changes in rental equipment	58.2	57.3

	Three months to 31 July 2011 £m	2010 £m
b) Reconciliation to net debt		
Decrease in cash in the period	6.2	0.2
Increase/(decrease) in debt through cash flow	52.6	(6.2)
Change in net debt from cash flows	58.8	(6.0)
Exchange differences	12.2	(19.8)
Non-cash movements:		
- deferred costs of debt raising	0.6	1.4
- capital element of new finance leases	0.4	0.9
Increase/(reduction) in net debt in the period	72.0	(23.5)
Opening net debt	775.7	829.0
Closing net debt	847.7	805.5

c) Analysis of net debt

	1 May 2011 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	31 July 2011 £m
Cash	(18.8)	-	6.2	-	(12.6)
Debt due within 1 year	1.7	-	(0.4)	0.3	1.6
Debt due after 1 year	792.8	12.2	53.0	0.7	858.7
Total net debt	775.7	12.2	58.8	1.0	847.7

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

11. Contingent liabilities

There have been no significant changes in contingent liabilities from those reported in the financial statements for the year ended 30 April 2011.

REVIEW OF BALANCE SHEET AND CASH FLOW

Balance sheet

Fixed assets

Capital expenditure in the quarter was £156m (2010: £51m) with £136m invested in the rental fleet (2010: £45m). Expenditure on rental equipment was 87% 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:

	2011			2010
	Growth	Maintenance	Total	Total
Sunbelt in $m	158.3	51.1	209.4	62.4
Sunbelt in £m	96.5	31.1	127.6	39.8
A-Plant	-	8.6	8.6	5.4
Total rental equipment	96.5	39.7	136.2	45.2
Delivery vehicles, property improvements & computers			20.0	6.1
Total additions			156.2	51.3

With good demand in the US, £96m of rental equipment capital expenditure was spent on growth while £40m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that maintenance capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of the fleet, at 31 July 2011 was 40 months (2010: 44 months) on a net book value basis. Sunbelt's fleet had an average age of 39 months (2010: 46 months) comprising 45 months for aerial work platforms which have a longer life and 33 months for the remainder of its fleet while A-Plant's fleet had an average age of 43 months (2010: 38 months).

	Rental fleet at original cost				LTM	LTM
			LTM	LTM rental	dollar	physical
	31 July 2011	30 April 2011	average	revenue	utilisation	utilisation
Sunbelt in $m	2,309	2,151	2,162	1,140	53%	68%
Sunbelt in £m	1,407	1,289	1,317	703	53%	68%
A-Plant	344	343	334	158	47%	68%
	1,751	1,632	1,651	861		

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 2011, was 53% at Sunbelt and 47% at A-Plant. Physical utilisation is time-based utilisation, which is calculated as the daily average of the original cost of equipment on rent as a percentage of the total value of equipment in the fleet at the measurement date. Measured over the last twelve months to 31 July 2011, average physical utilisation was 68% at Sunbelt (2010: 65%) and 68% at A-Plant (2010: 69%). At Sunbelt, physical utilisation is measured consistently for equipment with an original cost in excess of $7,500 which comprised approximately 90% of its fleet at 31 July 2011.

Trade receivables

Receivable days at 31 July were 47 days (2010: 47 days). The bad debt charge for the quarter ended 31 July 2011 as a percentage of total turnover was 0.9% (2010: 1.2%). Trade receivables at 31 July 2011 of £147m (2010: £127m) are stated net of allowances for bad debts and credit notes of £15m (2010: £16m) with the allowance representing 9.2% (2010: 11.3%) of gross receivables.

Trade and other payables

Group payable days were 63 days in 2011 (2010: 54 days) with capital expenditure-related payables, which have longer payment terms, totalling £86m (2010: £29m). Payment periods for purchases other than rental equipment vary between 7 and 45 days and for rental equipment between 30 and 120 days.

Cash flow and net debt

	Three months to 31 July		LTM to 31 July	Year to 30 April
	2011	2010	2011	2011
	£m	£m	£m	£m
EBITDA before exceptional items	93.9	78.4	299.3	283.8
Cash inflow from operations before exceptional items and changes in rental equipment	58.2	57.3	280.6	279.7
*Cash conversion ratio**	*62.1%*	*73.1%*	*93.7%*	*98.6%*
Maintenance rental capital expenditure paid	(69.0)	(45.7)	(205.5)	(182.2)
Payments for non-rental capital expenditure	(19.5)	(5.4)	(34.5)	(20.4)
Rental equipment disposal proceeds	15.8	7.9	62.9	55.0
Other property, plant and equipment disposal proceeds	2.0	2.0	4.5	4.5
Tax paid (net)	(1.5)	(1.3)	(4.5)	(4.3)
Financing costs paid	(4.0)	(7.5)	(63.2)	(66.7)
Cash flow before growth capex and payment of exceptional costs	**(18.0)**	**7.3**	**40.3**	**65.6**
Growth rental capital expenditure paid	(39.9)	-	(39.9)	-
Exceptional costs paid	(0.9)	(1.3)	(11.6)	(12.0)
Total cash (used in)/generated from operations	**(58.8)**	**6.0**	**(11.2)**	**53.6**
Business acquisitions	-	-	(34.8)	(34.8)
Total cash (absorbed)/generated	**(58.8)**	**6.0**	**(46.0)**	**18.8**
Dividends paid		-	(14.6)	(14.6)
Purchase of own shares by the ESOT	-	-	(0.4)	(0.4)
(Increase)/decrease in net debt	**(58.8)**	**6.0**	**(61.0)**	**3.8**

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

Reflecting a seasonal increase in working capital (particularly trade receivables) which was particularly pronounced as a result of the strong growth in revenue this year, cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 2% to £58m. The first quarter cash conversion ratio was 62.1% (2010: 73.1%). As the year progresses we anticipate that these seasonal impacts on working capital will substantially reverse.

Total payments for capital expenditure (rental equipment and other PPE) in the first quarter were £128m, lower than the £156m of capital expenditure delivered into the fleet due to the impact of supplier payment terms. Disposal proceeds received totalled £18m, giving net payments for capital expenditure of £110m in the quarter (2010: £41m).

Financing costs paid totalled just £4m and differ from the £12m net accounting charge in the income statement due to the timing of interest payments in the quarter and non-cash interest charges.

Accordingly, in the quarter the Group experienced a cash outflow both before and after discretionary investments made to enlarge the size and hence earnings capacity of its rental fleet. As explained above, however, first quarter cash flow is particularly distorted by the seasonal growth in working capital which we expect to largely reverse as the year unfolds. On a last twelve months basis, to eliminate these seasonal effects, free cash flow (which we define to be before growth investment and exceptionals) was £40m positive after payment of tax and interest. After discretionary growth investment, payment of exceptional costs (closed property costs and financing costs) and acquisitions there was a net outflow of £61m (2010/11 actual: inflow of £4m).

Net debt

	31 July 2011 £m	31 July 2010 £m	30 April 2011 £m
First priority senior secured bank debt	527.4	355.5	467.1
Finance lease obligations	3.1	3.1	3.0
8.625% second priority senior secured notes, due 2015	-	156.6	-
9% second priority senior secured notes, due 2016	329.8	344.9	324.4
	860.3	860.1	794.5
Cash and cash equivalents	(12.6)	(54.6)	(18.8)
Total net debt	847.7	805.5	775.7

Net debt at 31 July 2011 was £848m with the increase over the past year reflecting principally the net cash outflow set out above. The Group's EBITDA for the twelve months ended 31 July 2011 was £299m and the ratio of net debt to EBITDA was therefore 2.8 times at 31 July 2011 (2010: 3.1 times).

Under the terms of our asset-based senior bank facility, $1.4bn is committed until March 2016, whilst the $550m senior secured notes mature in August 2016. Our debt facilities therefore remain committed for the long term, with an average of 4.8 years remaining at 31 July 2011. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 5.5%. Financial performance covenants under the $550m 9% senior secured notes 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 $168m. At 31 July 2011 availability under the bank facility was $511m, including $8m of suppressed availability ($479m at 30 April 2011) meaning that covenants were not measured at 31 July 2011 and are unlikely to be measured in forthcoming quarters. However, as a matter of good practice, we still calculate the covenant ratios each quarter. At 31 July 2011, as a result of the recent significant investment in our rental fleet, the fixed charge ratio, as expected, did not meet the covenant requirement whilst the leverage ratio did so comfortably. The fact the fixed charge ratio is currently below 1.1 times does not cause concern given the strong availability and management's ability to flex capital expenditure downwards at short notice. Accordingly, the accounts are prepared on a going concern basis.

Principal risks and uncertainties

Risks and uncertainties in achieving the Group's objectives for the remainder of the financial year, together with assumptions, estimates, judgements and critical accounting policies used in preparing financial information remain unchanged from those detailed in the 2011 Annual Report and Accounts on pages 26 to 33. Our business is subject to significant fluctuations in performance from quarter to quarter as a result of seasonal effects. Commercial construction activity tends to increase in the summer and during extended periods of mild weather and to decrease in the winter and during extended periods of inclement weather. Furthermore, due to the incidence of public holidays in the US and the UK, there are more billing days in the first half of our financial year than the second half leading to our revenue normally being higher in the first half. On a quarterly basis, the second quarter is typically our strongest quarter, followed by the first and then the third and fourth quarters.

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

Fluctuations in the value of the US dollar with respect to the pound sterling have had, and may continue to have, a significant impact on our financial condition and results of operations as reported in pounds due to the majority of our assets, liabilities, revenues and costs being denominated in US dollars. All our debt was denominated in US dollars at 31 July 2011 and represented approximately 75% of the value of dollar-denominated net assets (other than debt) providing a partial, but substantial, hedge against currency fluctuations. The dollar interest payable on this debt also limits the impact of changes in the dollar exchange rate on our pre-tax profits and earnings. Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 31 July 2011, a 1% change in the US dollar exchange rate would impact pre-tax profit by £0.6m.

OPERATING STATISTICS

	Profit centre numbers			Staff numbers		
	31 July		30 April	31 July		30 April
	2011	2010	2011	2011	2010	2011
Sunbelt Rentals	349	344	347	5,382	5,328	5,289
Empire	9	-	9	1,039	-	942
Total US	358	344	356	6,421	5,328	6,231
A-Plant	107	103	106	1,902	1,849	1,921
Corporate office	-	-	-	11	10	11
Group	465	447	462	8,334	7,187	8,163