Ashtead group

10 December 2013

# Unaudited results for the half year and second quarter ended 31 October 2013

| | Second quarter | | | First half | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012[1] | Growth[2] | 2013 | 2012[1] | Growth[2] |
| | £m | £m | % | £m | £m | % |
| Underlying results[3] | | | | | | |
| Revenue | 439.2 | 355.4 | 23% | 849.7 | 680.4 | 23% |
| EBITDA | 192.5 | 146.3 | 30% | 369.2 | 275.6 | 32% |
| Operating profit | 123.7 | 89.4 | 37% | 234.1 | 163.2 | 41% |
| Profit before taxation | 112.8 | 78.9 | 42% | 212.3 | 140.0 | 49% |
| Earnings per share | 14.3p | 9.9p | 44% | 26.7p | 17.6p | 50% |
| Statutory results | | | | | | |
| Profit before taxation | 110.4 | 77.6 | 41% | 207.8 | 112.2 | 82% |
| Earnings per share | 14.0p | 9.6p | 44% | 26.1p | 14.1p | 81% |

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

## Highlights

- Group revenue increase of 23%[2]
- Record first half pre-tax profit[3] of £212m, up 49% at constant exchange rates
- Group EBITDA margin improves to 43% (2012: 41%)
- £451m of capital invested in the business (2012: £341m) and full year guidance increased
- Group RoI of 18% (2012: 14%)
- Net debt to EBITDA leverage[2] of 2.1 times (2012: 2.4 times)
- Interim dividend raised 50% to 2.25p per share (2012: 1.5p)

**Ashtead's chief executive, Geoff Drabble, commented:**

"The momentum within the business continued through the second quarter, resulting in record half year pre-tax profits of £212m, up 49% from the prior year. Once again, Sunbelt in the US was the main driver of our growth but it was pleasing to see another strong performance from A-Plant.

Our strategy continues to be focused largely on organic growth, supplemented by a range of bolt-on acquisitions. We invested a net £401m in our fleet during the first half and a further £61m on acquisitions. However, at the same time, our strong margins allowed us to reduce leverage to 2.1 times EBITDA.

Activity on the ground and lead indicators remain very healthy and, as a result, we have increased our full year capital guidance to £700m to support our customers during an anticipated strong Spring of 2014.

As a result, we now anticipate a full year profit towards the upper end of current expectations and the Board looks forward to the medium term with increasing confidence."

Contacts:

| | | |
|---|---|---|
| Geoff Drabble | Chief executive | +44 (0)20 7726 9700 |
| Suzanne Wood | Finance director | |
| Brian Hudspith | Maitland | +44 (0)20 7379 5151 |

Geoff Drabble and Suzanne Wood will host a meeting for equity analysts to discuss the results and outlook at 9.30am on Tuesday, 10 December at the offices of UBS at 1 Finsbury Avenue, London, EC2M 2PP. This meeting will be webcast live via the Company's website at www.ashtead-group.com and a replay will be available from shortly after the meeting concludes. A copy of this announcement and the slide presentation used for the meeting will also be available for download on the Company's website. The usual conference call for bondholders will begin at 3pm (10am EST).

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

Explanatory note

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

***Forward looking statements***

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

**First half results**

| | Revenue | | EBITDA | | Operating profit | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 (restated) | 2013 | 2012 (restated) |
| Sunbelt in $m | 1,107.5 | 913.2 | 514.8 | 394.8 | 344.8 | 254.1 |
| Sunbelt in £m | 711.5 | 576.8 | 330.8 | 249.5 | 221.5 | 160.5 |
| A-Plant | 138.2 | 103.6 | 43.2 | 30.6 | 17.4 | 7.2 |
| Group central costs | - | - | (4.8) | (4.5) | (4.8) | (4.5) |
| | 849.7 | 680.4 | 369.2 | 275.6 | 234.1 | 163.2 |
| Net financing costs | | | | | (21.8) | (23.2) |
| **Profit before tax, exceptionals, remeasurements and amortisation** | | | | | **212.3** | **140.0** |
| Exceptional items | | | | | - | (18.0) |
| Fair value remeasurements | | | | | - | (7.4) |
| Amortisation | | | | | (4.5) | (2.4) |
| Profit before taxation | | | | | 207.8 | 112.2 |
| Taxation | | | | | (77.1) | (41.6) |
| Profit attributable to equity holders of the Company | | | | | 130.7 | 70.6 |
| *Margins* | | | | | | |
| *Sunbelt* | | | *46.5%* | *43.2%* | *31.1%* | *27.8%* |
| *A-Plant* | | | *31.3%* | *29.7%* | *12.6%* | *7.0%* |
| *Group* | | | *43.4%* | *40.5%* | *27.6%* | *24.0%* |

Group revenue increased 25% to £850m in the first half (2012: £680m) with strong growth in both businesses. This revenue growth, combined with ongoing operational efficiency and lower financing costs generated record underlying profit before tax of £212m (2012: £140m).

Sunbelt continues to drive the Group's performance. Rental revenue grew 23% to $998m (2012: $811m), driven by a 17% increase in fleet on rent and 6% improvement in yield. Sunbelt's total revenue, including new and used equipment, merchandise and consumable sales, grew 21% to $1,108m (2012: $913m) as it sold less used equipment this year.

A-Plant performed well and, with the acquisition of Eve Trakway ('Eve'), delivered rental revenue of £124m, up 35% on the prior year (2012: £92m). This reflects 23% more fleet on rent and a 10% improvement in yield. Yield has benefitted from a change in mix over the period which includes Eve's peak period of events work. Rental revenue growth excluding Eve was 16%, reflecting 10% more fleet on rent and 5% yield improvement.

Sunbelt's strong revenue growth, combined with continued operational efficiency resulted in a record first half EBITDA margin of 46% (2012: 43%) as 61% of revenue growth dropped through to EBITDA. This contributed to an operating profit of $345m (2012: $254m). A-Plant's EBITDA margin improved to 31% (2012: 30%) and operating profit increased to £17m (2012: £7m).

As a result, statutory profit before tax was £208m (2012: £112m). After a tax charge of 37% (2012: 37%) of the underlying pre-tax profit, underlying earnings per share increased 52% to 26.7p (2012: 17.6p), whilst basic earnings per share were 26.1p (2012: 14.1p).

## Capital expenditure

Capital expenditure in the first half of the year was £451m gross and £401m net of disposal proceeds (2012: £341m gross and £288m net) as we maximised the benefit of new fleet investment during the seasonally stronger summer months.  As a result of this investment, the Group's rental fleet at 31 October 2013 at cost was £2.5bn with a reduced age of 29 months (2012: 32 months).

Sunbelt's fleet size at 31 October was $3.3bn.  This larger fleet supported strong fleet on rent growth of 17% year on year.  Average first half physical utilisation was 73% (2012: 72%).

Capital expenditure is under constant review, based on market conditions.  As a result of the good market conditions, we now anticipate gross capital expenditure for the year of around £700m and net payments after disposal proceeds of around £600m.

## Return on Investment[1]

Sunbelt's pre-tax return on investment (excluding goodwill) in the 12 months to 31 October 2013 continued to improve to 25.6% (2012: 22.2%), well ahead of the Group's pre-tax weighted average cost of capital.  In the UK, return on investment (excluding goodwill) improved to 8.5% (2012: 3.9%).  For the Group as a whole, returns (including goodwill) are 17.8% (2012: 14.2%).

## Cash flow and net debt

As expected, debt increased during the first half as we invested in the fleet, made a number of bolt-on acquisitions and experienced the usual seasonal increase in working capital.  We expect the working capital increase to largely reverse in the second half.  Net debt at 31 October 2013 was £1,230m (2012: £1,069m) whilst the ratio of net debt to EBITDA was 2.0 times (2012: 2.4 times) on a reported basis and 2.1 times (2012: 2.4 times) on a constant currency basis.

The Group's debt package remains well structured and flexible, enabling us to take advantage of prevailing end market conditions.  The Group's debt facilities are committed for an average of 6 years.  At 31 October 2013, ABL availability was $463m, with an additional $540m of suppressed availability - substantially above the $200m 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 50% to 2.25p per share (2012: 1.5p per share).  This will be paid on 5 February 2014 to shareholders on record on 17 January 2014.

## Current trading and outlook

Our strong performance continued into November.  With this continuing momentum in the business we now anticipate a full year profit towards the upper end of current expectations and the Board looks forward to the medium term with increasing confidence.

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

**Directors' responsibility statement in respect of the interim financial report**

We confirm that to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

b) the interim management report includes a fair review of the information required by DTR 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

c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board of Directors                9 December 2013

## CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 OCTOBER 2013

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Before amortisation £m | Amortisation £m | Total £m | Before amortisation £m (restated) | Amortisation £m | Total £m (restated) |
| **Second quarter - unaudited** | | | | | | |
| **Revenue** | | | | | | |
| Rental revenue | 392.2 | - | 392.2 | 315.5 | - | 315.5 |
| Sale of new equipment, merchandise and consumables | 20.8 | - | 20.8 | 13.2 | - | 13.2 |
| Sale of used rental equipment | 26.2 | - | 26.2 | 26.7 | - | 26.7 |
| | 439.2 | - | 439.2 | 355.4 | - | 355.4 |
| **Operating costs** | | | | | | |
| Staff costs | (109.4) | - | (109.4) | (90.7) | - | (90.7) |
| Used rental equipment sold | (20.7) | - | (20.7) | (23.0) | - | (23.0) |
| Other operating costs | (116.6) | - | (116.6) | (95.4) | - | (95.4) |
| | (246.7) | - | (246.7) | (209.1) | - | (209.1) |
| **EBITDA*** | 192.5 | - | 192.5 | 146.3 | - | 146.3 |
| Depreciation | (68.8) | - | (68.8) | (56.9) | - | (56.9) |
| Amortisation of intangibles | - | (2.4) | (2.4) | - | (1.3) | (1.3) |
| **Operating profit** | 123.7 | (2.4) | 121.3 | 89.4 | (1.3) | 88.1 |
| Investment income | - | - | - | 0.1 | - | 0.1 |
| Interest expense | (10.9) | - | (10.9) | (10.6) | - | (10.6) |
| **Profit on ordinary activities before taxation** | 112.8 | (2.4) | 110.4 | 78.9 | (1.3) | 77.6 |
| Taxation | (41.2) | 0.8 | (40.4) | (29.5) | 0.2 | (29.3) |
| **Profit attributable to equity holders of the Company** | 71.6 | (1.6) | 70.0 | 49.4 | (1.1) | 48.3 |
| Basic earnings per share | 14.3p | (0.3p) | 14.0p | 9.9p | (0.3p) | 9.6p |
| Diluted earnings per share | 14.2p | (0.3p) | 13.9p | 9.7p | (0.2p) | 9.5p |

* 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 2013

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Before amortisation | Amortisation | Total | Before exceptional items, amortisation and remeasurements | Exceptional items, amortisation and remeasurements | Total |
| | £m | £m | £m | £m (restated) | £m | £m (restated) |
| **First half - unaudited** | | | | | | |
| **Revenue** | | | | | | |
| Rental revenue | 765.4 | - | 765.4 | 604.9 | - | 604.9 |
| Sale of new equipment, merchandise and consumables | 38.5 | - | 38.5 | 27.1 | - | 27.1 |
| Sale of used rental equipment | 45.8 | - | 45.8 | 48.4 | - | 48.4 |
| | 849.7 | - | 849.7 | 680.4 | - | 680.4 |
| **Operating costs** | | | | | | |
| Staff costs | (213.0) | - | (213.0) | (176.8) | - | (176.8) |
| Used rental equipment sold | (36.9) | - | (36.9) | (41.1) | - | (41.1) |
| Other operating costs | (230.6) | - | (230.6) | (186.9) | - | (186.9) |
| | (480.5) | - | (480.5) | (404.8) | - | (404.8) |
| **EBITDA*** | 369.2 | - | 369.2 | 275.6 | - | 275.6 |
| Depreciation | (135.1) | - | (135.1) | (112.4) | - | (112.4) |
| Amortisation of intangibles | - | (4.5) | (4.5) | - | (2.4) | (2.4) |
| **Operating profit** | 234.1 | (4.5) | 229.6 | 163.2 | (2.4) | 160.8 |
| Investment income | - | - | - | 0.1 | - | 0.1 |
| Interest expense | (21.8) | - | (21.8) | (23.3) | (25.4) | (48.7) |
| **Profit on ordinary activities before taxation** | 212.3 | (4.5) | 207.8 | 140.0 | (27.8) | 112.2 |
| Taxation | (78.6) | 1.5 | (77.1) | (52.2) | 10.6 | (41.6) |
| **Profit attributable to equity holders of the Company** | 133.7 | (3.0) | 130.7 | 87.8 | (17.2) | 70.6 |
| Basic earnings per share | 26.7p | (0.6p) | 26.1p | 17.6p | (3.5p) | 14.1p |
| Diluted earnings per share | 26.5p | (0.6p) | 25.9p | 17.3p | (3.4p) | 13.9p |

* 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 | |
| | 2013 | 2012 | 2013 | 2012 |
| | £m | £m (restated) | £m | £m (restated) |
| Profit attributable to equity holders of the Company for the period | 70.0 | 48.3 | 130.7 | 70.6 |
| **Items that will not be reclassified to profit or loss:** | | | | |
| Actuarial gain on defined benefit pension plan | - | 0.4 | - | 0.7 |
| Tax on defined benefit pension plan | - | (0.1) | - | (0.2) |
| | - | 0.3 | - | 0.5 |
| **Items that may be reclassified subsequently to profit or loss:** | | | | |
| Foreign currency translation differences | (27.1) | (8.8) | (15.7) | 1.7 |
| **Total comprehensive income for the period** | 42.9 | 39.8 | 115.0 | 72.8 |

## CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 2013

| | Unaudited 31 October 2013 | Unaudited 31 October 2012 | Audited 30 April 2013 |
|---|---|---|---|
| | £m | £m | £m |
| **Current assets** | | | |
| Inventories | 19.4 | 14.5 | 16.7 |
| Trade and other receivables | 277.0 | 220.5 | 218.6 |
| Current tax asset | 0.6 | 1.8 | 0.8 |
| Cash and cash equivalents | 1.5 | 1.3 | 20.3 |
| | 298.5 | 238.1 | 256.4 |
| **Non-current assets** | | | |
| Property, plant and equipment | | | |
| - rental equipment | 1,659.8 | 1,290.1 | 1,407.8 |
| - other assets | 199.1 | 168.1 | 176.8 |
| | 1,858.9 | 1,458.2 | 1,584.6 |
| Goodwill | 405.4 | 373.9 | 397.3 |
| Other intangible assets | 42.1 | 20.6 | 32.6 |
| Deferred tax asset | - | - | 1.3 |
| Net defined benefit pension plan asset | 0.3 | 4.4 | 0.4 |
| | 2,306.7 | 1,857.1 | 2,016.2 |
| **Total assets** | 2,605.2 | 2,095.2 | 2,272.6 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 300.5 | 194.8 | 296.1 |
| Current tax liability | 5.6 | 4.9 | 3.8 |
| Debt due within one year | 1.9 | 2.3 | 2.2 |
| Provisions | 21.7 | 10.4 | 11.9 |
| | 329.7 | 212.4 | 314.0 |
| **Non-current liabilities** | | | |
| Debt due after more than one year | 1,229.4 | 1,067.7 | 1,032.2 |
| Provisions | 20.7 | 22.0 | 24.9 |
| Deferred tax liabilities | 282.9 | 186.0 | 219.0 |
| | 1,533.0 | 1,275.7 | 1,276.1 |
| | | | |
| **Total liabilities** | 1,862.7 | 1,488.1 | 1,590.1 |
| | | | |
| **Equity** | | | |
| Share capital | 55.3 | 55.3 | 55.3 |
| Share premium account | 3.6 | 3.6 | 3.6 |
| Capital redemption reserve | 0.9 | 0.9 | 0.9 |
| Non-distributable reserve | 90.7 | 90.7 | 90.7 |
| Own shares held by the Company | (33.1) | (33.1) | (33.1) |
| Own shares held through the ESOT | (12.2) | (7.5) | (7.4) |
| Cumulative foreign exchange translation differences | 5.4 | 8.8 | 21.1 |
| Retained reserves | 631.9 | 488.4 | 551.4 |
| **Equity attributable to equity holders of the Company** | 742.5 | 607.1 | 682.5 |
| | | | |
| **Total liabilities and equity** | 2,605.2 | 2,095.2 | 2,272.6 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 OCTOBER 2013

| | Share capital £m | Share premium account £m | Capital redemption reserve £m | Non-distributable reserve £m | Own shares held by the Company £m | Own shares held through the ESOT £m | Cumulative foreign exchange translation differences £m | Retained reserves £m (restated) | Total £m (restated) |
|---|---|---|---|---|---|---|---|---|---|
| At 1 May 2012 | 55.3 | 3.6 | 0.9 | 90.7 | (33.1) | (6.2) | 7.1 | 436.4 | 554.7 |
| Profit for the period | - | - | - | - | - | - | - | 70.6 | 70.6 |
| Other comprehensive income: | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | - | 1.7 | - | 1.7 |
| Actuarial gain on defined benefit pension plan | - | - | - | - | - | - | - | 0.7 | 0.7 |
| Tax on defined benefit pension plan | - | - | - | - | - | - | - | (0.2) | (0.2) |
| Total comprehensive income for the period | - | - | - | - | - | - | 1.7 | 71.1 | 72.8 |
| Dividends paid | - | - | - | - | - | - | - | (12.5) | (12.5) |
| Own shares purchased by the ESOT | - | - | - | - | - | (10.1) | - | - | (10.1) |
| Share-based payments | - | - | - | - | - | 8.8 | - | (7.6) | 1.2 |
| Tax on share-based payments | - | - | - | - | - | - | - | 1.0 | 1.0 |
| At 31 October 2012 | 55.3 | 3.6 | 0.9 | 90.7 | (33.1) | (7.5) | 8.8 | 488.4 | 607.1 |
| Profit for the period | - | - | - | - | - | - | - | 67.2 | 67.2 |
| Other comprehensive income: | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | - | 12.3 | - | 12.3 |
| Actuarial loss on defined benefit pension plan | - | - | - | - | - | - | - | (4.5) | (4.5) |
| Tax on defined benefit pension plan | - | - | - | - | - | - | - | 1.1 | 1.1 |
| Total comprehensive income for the period | - | - | - | - | - | - | 12.3 | 63.8 | 76.1 |
| Dividends paid | - | - | - | - | - | - | - | (7.5) | (7.5) |
| Own shares purchased by the ESOT | - | - | - | - | - | (0.1) | - | - | (0.1) |
| Share-based payments | - | - | - | - | - | 0.2 | - | 1.3 | 1.5 |
| Tax on share-based payments | - | - | - | - | - | - | - | 5.4 | 5.4 |
| At 30 April 2013 | 55.3 | 3.6 | 0.9 | 90.7 | (33.1) | (7.4) | 21.1 | 551.4 | 682.5 |
| Profit for the period | - | - | - | - | - | - | - | 130.7 | 130.7 |
| Other comprehensive income: | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | - | (15.7) | - | (15.7) |
| Total comprehensive income for the period | - | - | - | - | - | - | (15.7) | 130.7 | 115.0 |
| Dividends paid | - | - | - | - | - | - | - | (30.1) | (30.1) |
| Own shares purchased by the ESOT | - | - | - | - | - | (22.4) | - | - | (22.4) |
| Share-based payments | - | - | - | - | - | 17.6 | - | (16.1) | 1.5 |
| Tax on share-based payments | - | - | - | - | - | - | - | (4.0) | (4.0) |
| At 31 October 2013 | 55.3 | 3.6 | 0.9 | 90.7 | (33.1) | (12.2) | 5.4 | 631.9 | 742.5 |

## CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2013

| | Unaudited | |
|---|---|---|
| | 2013 | 2012 |
| | £m | £m |
| **Cash flows from operating activities** | | |
| Cash generated from operations before exceptional items and changes in rental equipment | 302.2 | 221.1 |
| Exceptional operating costs paid | (1.3) | (1.4) |
| Payments for rental property, plant and equipment | (408.7) | (373.3) |
| Proceeds from disposal of rental property, plant and equipment | 41.3 | 42.3 |
| Cash used in operations | (66.5) | (111.3) |
| Financing costs paid (net) | (20.5) | (21.2) |
| Exceptional financing costs paid | - | (13.4) |
| Tax paid (net) | (9.2) | (2.7) |
| **Net cash used in operating activities** | (96.2) | (148.6) |
| **Cash flows from investing activities** | | |
| Acquisition of businesses | (61.3) | - |
| Payments for non-rental property, plant and equipment | (44.2) | (38.7) |
| Proceeds from disposal of non-rental property, plant and equipment | 4.1 | 6.0 |
| Payments for purchase of intangible assets | - | (1.1) |
| **Net cash used in investing activities** | (101.4) | (33.8) |
| **Cash flows from financing activities** | | |
| Drawdown of loans | 264.9 | 585.6 |
| Redemption of loans | (33.1) | (402.2) |
| Capital element of finance lease payments | (0.5) | (0.5) |
| Dividends paid | (30.1) | (12.5) |
| Purchase of own shares by the ESOT | (22.4) | (10.1) |
| **Net cash from financing activities** | 178.8 | 160.3 |
| **Decrease in cash and cash equivalents** | (18.8) | (22.1) |
| Opening cash and cash equivalents | 20.3 | 23.4 |
| **Closing cash and cash equivalents** | 1.5 | 1.3 |

Reconciliation to net debt

| | 2013 | 2012 |
|---|---|---|
| Decrease in cash in the period | 18.8 | 22.1 |
| Increase in debt through cash flow | 231.3 | 182.9 |
| Change in net debt from cash flows | 250.1 | 205.0 |
| Exchange differences | (37.3) | 3.5 |
| Debt acquired | 1.2 | - |
| Non-cash movements: | | |
| - deferred costs of debt raising | 1.2 | 5.7 |
| - capital element of new finance leases | 0.5 | 0.2 |
| Increase in net debt in the period | 215.7 | 214.4 |
| Opening net debt | 1,014.1 | 854.3 |
| Closing net debt | 1,229.8 | 1,068.7 |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 October 2013 were approved by the directors on 9 December 2013. They have been prepared in accordance with relevant International Financial Reporting Standards ('IFRS') as adopted by the European Union and issued by the International Accounting Standards Board ('IASB') (including International Accounting Standard – 'IAS 34 Interim Financial Reporting') and the accounting policies set out in the Group's Annual Report and Accounts for the year ended 30 April 2013.

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

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

  As required under the revised standard, comparative figures have been restated. For the six month period to 31 October 2012, operating costs are £0.2m higher, net financing costs are £0.5m higher and profit before tax is £0.7m lower than reported previously. For the year ended 30 April 2013, operating costs were £0.3m higher, net financing costs were £1.0m higher and profit before tax was £1.3m lower than reported previously.

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

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

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

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

The condensed consolidated interim financial statements have been prepared on the going concern basis as described in the corporate governance report included in the 2013 Annual Report and Accounts. They are unaudited and do not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006.

The statutory accounts for the year ended 30 April 2013 were prepared in accordance with relevant IFRS and have been mailed to shareholders and filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not include a reference to any matter by way of emphasis without qualifying the report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

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

| | 2013 | 2012 |
|---|---|---|
| Average for the three months ended 31 October | 1.58 | 1.60 |
| Average for the six months ended 31 October | 1.56 | 1.58 |
| At 31 October | 1.61 | 1.61 |

2. Segmental analysis

| | Revenue £m | Operating profit before amortisation £m (restated) | Amortisation £m | Operating profit £m (restated) |
|---|---|---|---|---|
| **Three months to 31 October** | | | | |
| 2013 | | | | |
| Sunbelt | 367.6 | 116.6 | (1.4) | 115.2 |
| A-Plant | 71.6 | 9.5 | (1.0) | 8.5 |
| Corporate costs | - | (2.4) | - | (2.4) |
| | 439.2 | 123.7 | (2.4) | 121.3 |
| 2012 | | | | |
| Sunbelt | 301.5 | 87.6 | (0.7) | 86.9 |
| A-Plant | 53.9 | 4.2 | (0.6) | 3.6 |
| Corporate costs | - | (2.4) | - | (2.4) |
| | 355.4 | 89.4 | (1.3) | 88.1 |
| **Six months to 31 October** | | | | |
| 2013 | | | | |
| Sunbelt | 711.5 | 221.5 | (2.7) | 218.8 |
| A-Plant | 138.2 | 17.4 | (1.8) | 15.6 |
| Corporate costs | - | (4.8) | - | (4.8) |
| | 849.7 | 234.1 | (4.5) | 229.6 |
| 2012 | | | | |
| Sunbelt | 576.8 | 160.5 | (1.4) | 159.1 |
| A-Plant | 103.6 | 7.2 | (1.0) | 6.2 |
| Corporate costs | - | (4.5) | - | (4.5) |
| | 680.4 | 163.2 | (2.4) | 160.8 |

| | Segment assets £m | Cash £m | Taxation assets £m | Total assets £m |
|---|---|---|---|---|
| **At 31 October 2013** | | | | |
| Sunbelt | 2,199.6 | - | - | 2,199.6 |
| A-Plant | 403.1 | - | - | 403.1 |
| Corporate items | 0.4 | 1.5 | 0.6 | 2.5 |
| | 2,603.1 | 1.5 | 0.6 | 2,605.2 |
| **At 30 April 2013** | | | | |
| Sunbelt | 1,943.5 | - | - | 1,943.5 |
| A-Plant | 306.5 | - | - | 306.5 |
| Corporate items | 0.2 | 20.3 | 2.1 | 22.6 |
| | 2,250.2 | 20.3 | 2.1 | 2,272.6 |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Operating costs

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Before amortisation £m | Amortisation £m | Total £m | Before amortisation £m (restated) | Amortisation £m | Total £m (restated) |
| **Three months to 31 October** | | | | | | |
| *Staff costs:* | | | | | | |
| Salaries | 100.6 | - | 100.6 | 83.7 | - | 83.7 |
| Social security costs | 7.1 | - | 7.1 | 5.5 | - | 5.5 |
| Other pension costs | 1.7 | - | 1.7 | 1.5 | - | 1.5 |
| | 109.4 | - | 109.4 | 90.7 | - | 90.7 |
| *Used rental equipment sold* | 20.7 | - | 20.7 | 23.0 | - | 23.0 |
| *Other operating costs:* | | | | | | |
| Vehicle costs | 28.5 | - | 28.5 | 24.2 | - | 24.2 |
| Spares, consumables & external repairs | 21.2 | - | 21.2 | 17.5 | - | 17.5 |
| Facility costs | 12.6 | - | 12.6 | 11.5 | - | 11.5 |
| Other external charges | 54.3 | - | 54.3 | 42.2 | - | 42.2 |
| | 116.6 | - | 116.6 | 95.4 | - | 95.4 |
| *Depreciation and amortisation:* | | | | | | |
| Depreciation | 68.8 | - | 68.8 | 56.9 | - | 56.9 |
| Amortisation of intangibles | - | 2.4 | 2.4 | - | 1.3 | 1.3 |
| | 68.8 | 2.4 | 71.2 | 56.9 | 1.3 | 58.2 |
| | 315.5 | 2.4 | 317.9 | 266.0 | 1.3 | 267.3 |
| **Six months to 31 October** | | | | | | |
| *Staff costs:* | | | | | | |
| Salaries | 195.2 | - | 195.2 | 162.0 | - | 162.0 |
| Social security costs | 14.2 | - | 14.2 | 11.7 | - | 11.7 |
| Other pension costs | 3.6 | - | 3.6 | 3.1 | - | 3.1 |
| | 213.0 | - | 213.0 | 176.8 | - | 176.8 |
| *Used rental equipment sold* | 36.9 | - | 36.9 | 41.1 | - | 41.1 |
| *Other operating costs:* | | | | | | |
| Vehicle costs | 56.1 | - | 56.1 | 45.8 | - | 45.8 |
| Spares, consumables & external repairs | 40.2 | - | 40.2 | 33.7 | - | 33.7 |
| Facility costs | 24.8 | - | 24.8 | 22.8 | - | 22.8 |
| Other external charges | 109.5 | - | 109.5 | 84.6 | - | 84.6 |
| | 230.6 | - | 230.6 | 186.9 | - | 186.9 |
| *Depreciation and amortisation:* | | | | | | |
| Depreciation | 135.1 | - | 135.1 | 112.4 | - | 112.4 |
| Amortisation of intangibles | - | 4.5 | 4.5 | - | 2.4 | 2.4 |
| | 135.1 | 4.5 | 139.6 | 112.4 | 2.4 | 114.8 |
| | 615.6 | 4.5 | 620.1 | 517.2 | 2.4 | 519.6 |

4. Exceptional items, fair value remeasurements and amortisation

Exceptional items are those items of financial performance that are material and non-recurring in nature. Fair value remeasurements relate to embedded call options in the Group's old $550m 9.0% senior secured notes. Amortisation relates to the periodic write-off of intangible assets. 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, fair value remeasurements and amortisation of intangibles.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

| | Three months to 31 October 2013 £m | Three months to 31 October 2012 £m | Six months to 31 October 2013 £m | Six months to 31 October 2012 £m |
|---|---|---|---|---|
| Write-off of deferred financing costs | - | - | - | 4.6 |
| Early redemption fee | - | - | - | 10.6 |
| Call period interest | - | - | - | 2.8 |
| Fair value remeasurements | - | - | - | 7.4 |
| Amortisation of intangibles | 2.4 | 1.3 | 4.5 | 2.4 |
| | 2.4 | 1.3 | 4.5 | 27.8 |
| Taxation | (0.8) | (0.2) | (1.5) | (10.6) |
| | 1.6 | 1.1 | 3.0 | 17.2 |

The prior year write-off of deferred financing costs consists of the unamortised balance of the costs relating to the $550m 9.0% senior secured notes redeemed in July 2012. In addition, an early redemption fee of £11m was paid to redeem the notes prior to their scheduled maturity. The call period interest represents the interest charge on the $550m notes for the period from the issue of the new $500m notes to the date the $550m notes were redeemed. The prior year fair value remeasurements relate to the change in fair value of the embedded call options in the old $550m 9.0% senior secured notes.

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

| | Three months to 31 October 2013 £m | Three months to 31 October 2012 £m | Six months to 31 October 2013 £m | Six months to 31 October 2012 £m |
|---|---|---|---|---|
| Amortisation of intangibles | 2.4 | 1.3 | 4.5 | 2.4 |
| Charged in arriving at operating profit | 2.4 | 1.3 | 4.5 | 2.4 |
| Interest expense | - | - | - | 25.4 |
| Charged in arriving at profit before taxation | 2.4 | 1.3 | 4.5 | 27.8 |
| Taxation | (0.8) | (0.2) | (1.5) | (10.6) |
| | 1.6 | 1.1 | 3.0 | 17.2 |

5. Financing costs

| | Three months to 31 October 2013 £m | Three months to 31 October 2012 £m (restated) | Six months to 31 October 2013 £m | Six months to 31 October 2012 £m (restated) |
|---|---|---|---|---|
| *Investment income:* | | | | |
| Net interest on the net defined benefit asset | - | (0.1) | - | (0.1) |
| *Interest expense:* | | | | |
| Bank interest payable | 5.1 | 4.2 | 10.0 | 8.5 |
| Interest payable on second priority senior secured notes | 5.1 | 5.2 | 10.4 | 12.6 |
| Interest payable on finance leases | - | - | 0.1 | 0.1 |
| Other interest payable | - | 0.4 | - | 0.4 |
| Non-cash unwind of discount on provisions | 0.2 | 0.3 | 0.2 | 0.6 |
| Amortisation of deferred costs of debt raising | 0.5 | 0.5 | 1.1 | 1.1 |
| Total interest expense | 10.9 | 10.6 | 21.8 | 23.3 |
| Net financing costs before remeasurements | 10.9 | 10.5 | 21.8 | 23.2 |
| Exceptional items | - | - | - | 18.0 |
| Fair value remeasurements | - | - | - | 7.4 |
| Net financing costs | 10.9 | 10.5 | 21.8 | 48.6 |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Taxation

The tax charge for the period has been computed using an estimated effective rate for the year of 39% in the US (2012: 39%) and 24% in the UK (2012: 25%). The blended effective rate for the Group as a whole is 37% (2012: 37%).

The tax charge of £78.6m (2012 restated: £52.2m) on the underlying pre-tax profit of £212.3m (2012 restated: £140.0m) can be explained as follows:

| | Six months to 31 October | |
|---|---|---|
| | 2013 | 2012 |
| | £m | £m (restated) |
| Current tax | | |
| - current tax on income for the period | 12.2 | 5.8 |
| - adjustments to prior years | 0.1 | 0.3 |
| | 12.3 | 6.1 |
| Deferred tax | | |
| - origination and reversal of temporary differences | 66.1 | 45.9 |
| - adjustments to prior years | 0.2 | 0.2 |
| | 66.3 | 46.1 |
| Tax on underlying activities | 78.6 | 52.2 |
| Comprising: | | |
| - UK tax | 6.8 | 5.2 |
| - US tax | 71.8 | 47.0 |
| | 78.6 | 52.2 |

In addition, the tax credit of £1.5m (2012: £10.6m) on exceptional items (including amortisation of intangibles and fair value remeasurements) of £4.5m (2012: £27.8m) consists of a deferred tax credit of £0.5m relating to the UK (2012: £0.2m) and £1.0m (2012: £10.4m) relating to the US.

7. Earnings per share

Basic and diluted earnings per share for the three and six months ended 31 October 2013 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 | |
|---|---|---|---|---|---|
| | | 2013 | 2012 (restated) | 2013 | 2012 (restated) |
| Profit for the financial period (£m) | | 70.0 | 48.3 | 130.7 | 70.6 |
| Weighted average number of shares (m) | - basic | 501.1 | 500.5 | 500.9 | 499.7 |
| | - diluted | 504.5 | 506.3 | 505.5 | 507.9 |
| Basic earnings per share | | 14.0p | 9.6p | 26.1p | 14.1p |
| Diluted earnings per share | | 13.9p | 9.5p | 25.9p | 13.9p |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Earnings per share (continued)

Underlying earnings per share (defined in any period as the earnings before exceptional items, fair value remeasurements and 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 | |
|---|---|---|---|---|
| | 2013 | 2012 (restated) | 2013 | 2012 (restated) |
| Basic earnings per share | 14.0p | 9.6p | 26.1p | 14.1p |
| Exceptional items, fair value remeasurements and amortisation of intangibles | 0.4p | 0.3p | 0.8p | 5.6p |
| Tax on exceptional items, remeasurements and amortisation | (0.1p) | - | (0.2p) | (2.1p) |
| Underlying earnings per share | 14.3p | 9.9p | 26.7p | 17.6p |

8. Dividends

During the period, a final dividend in respect of the year ended 30 April 2013 of 6.0p (2012: 2.5p) per share was paid to shareholders costing £30.1m (2012: £12.5m).

9. Property, plant and equipment

| | 2013 | | 2012 | |
|---|---|---|---|---|
| Net book value | Rental equipment £m | Total £m | Rental equipment £m | Total £m |
| At 1 May | 1,407.8 | 1,584.6 | 1,118.4 | 1,263.4 |
| Exchange difference | (35.0) | (38.8) | 8.7 | 9.7 |
| Reclassifications | (0.4) | - | (0.5) | - |
| Additions | 407.0 | 451.1 | 302.8 | 341.1 |
| Acquisitions | 34.8 | 35.4 | - | - |
| Disposals | (34.9) | (38.3) | (40.1) | (43.6) |
| Depreciation | (119.5) | (135.1) | (99.2) | (112.4) |
| At 31 October | 1,659.8 | 1,858.9 | 1,290.1 | 1,458.2 |

10. Share capital

Ordinary shares of 10p each:

| | 31 October 2013 Number | 30 April 2013 Number | 31 October 2013 £m | 30 April 2013 £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 October 2013, 50m (2012: 50m) shares were held by the Company and a further 2.2m (2012: 2.8m) shares were held by the Company’s Employee Share Ownership Trust.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Notes to the cash flow statement

a) Cash flow from operating activities

| | Six months to 31 October 2013 £m | Six months to 31 October 2012 £m (restated) |
|---|---|---|
| Operating profit before exceptional items and amortisation | 234.1 | 163.2 |
| Depreciation | 135.1 | 112.4 |
| EBITDA before exceptional items | 369.2 | 275.6 |
| Profit on disposal of rental equipment | (8.9) | (7.3) |
| Profit on disposal of other property, plant and equipment | (1.3) | (1.3) |
| Increase in inventories | (2.9) | (1.1) |
| Increase in trade and other receivables | (52.2) | (37.6) |
| Decrease in trade and other payables | (3.0) | (8.5) |
| Exchange differences | (0.2) | 0.1 |
| Other non-cash movements | 1.5 | 1.2 |
| Cash generated from operations before exceptional items and changes in rental equipment | 302.2 | 221.1 |

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 2013 £m | Exchange movement £m | Cash flow £m | Debt acquired | Non-cash movements £m | 31 October 2013 £m |
|---|---|---|---|---|---|---|
| Cash | (20.3) | - | 18.8 | - | - | (1.5) |
| Debt due within 1 year | 2.2 | - | (1.5) | 0.5 | 0.7 | 1.9 |
| Debt due after 1 year | 1,032.2 | (37.3) | 232.8 | 0.7 | 1.0 | 1,229.4 |
| Total net debt | 1,014.1 | (37.3) | 250.1 | 1.2 | 1.7 | 1,229.8 |

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

| | Three months to 31 July 2013 £m | Three months to 31 July 2012 £m |
|---|---|---|
| Cash consideration | 61.3 | - |

During the period, five acquisitions were made for a total cash consideration of £61.3m, after taking account of net cash acquired of £2.6m. Further details of these are provided in note 12.

12. Acquisitions

During the period, the following acquisitions were completed:

i) On 10 May 2013, A-Plant acquired the entire issued share capital of Accession Group Limited ('Accession'), including its principal trading subsidiary Eve Trakway Limited ('Eve'), for an initial consideration of £28m with deferred consideration of up to £7m payable over the next year depending on profitability. Accession is a specialist rental provider of temporary access solutions to the events and industrial sectors.

12. Acquisitions (continued)

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

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

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

v) On 20 September 2013, Sunbelt acquired the business and assets of Contractors' Equipment Company ('CEC') for a cash consideration of £16m ($26m). CEC is a four location general tool rental business.

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

| | Acquirees' book value £m | Fair value to Group £m |
|---|---|---|
| **Net assets acquired** | | |
| Trade and other receivables | 10.5 | 10.0 |
| Inventory | 0.5 | 0.4 |
| Property, plant and equipment | | |
| - rental equipment | 31.4 | 34.8 |
| - other assets | 0.9 | 0.7 |
| Creditors | (6.7) | (7.0) |
| Debt | (1.2) | (1.2) |
| Current tax | (0.5) | (0.5) |
| Deferred tax | (1.1) | (3.9) |
| Intangible assets (brand name, non-compete agreements and customer relationships) | - | 15.1 |
| | 33.8 | 48.4 |
| Consideration: | | |
| - cash paid (net of cash acquired) | | 61.3 |
| - deferred consideration payable in cash | | 7.0 |
| | | 68.3 |
| Goodwill | | 19.9 |

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the benefits the Group expects to derive from the acquisitions. £5m of the goodwill is expected to be deductible for income tax purposes.

Trade receivables at acquisition were £10m at fair value, net of £0.4m provision for debts which may not be collected.

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

Accession's revenue and operating profit in the period from the date of acquisition to 31 October 2013 were £17m and £3m respectively.

Apart from Accession, the contribution to revenue and operating profit from all other current period acquisitions from the date of acquisition to 31 October 2013 was not material.

13. Contingent liabilities

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

14. Events after the balance sheet date

Since the balance sheet date, Sunbelt completed two acquisitions, as follows:

i) On 1 November 2013, the business and assets of Coffing-Eastman, Inc., trading as Shamrock Equipment Rental ('Shamrock'), for a cash consideration of £15m ($24m). Shamrock is a four location energy-related business, renting into the oil and gas industry.

ii) On 7 November 2013, the business and assets of CG Power Rentals, Inc. ('CG Power') for a cash consideration of £3m ($5m). CG Power is a two location equipment rental company renting into the oil and gas industry.

The initial accounting for these acquisitions is incomplete. Had both acquisitions taken place on 1 May 2013 their contribution to revenue and operating profit would not have been material.

## REVIEW OF SECOND QUARTER, BALANCE SHEET AND CASH FLOW

**Second quarter**

| | Revenue | | EBITDA | | Operating profit | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 (restated) | 2013 | 2012 (restated) |
| Sunbelt in $m | 581.2 | 481.1 | 271.8 | 211.2 | 184.1 | 139.7 |
| Sunbelt in £m | 367.6 | 301.5 | 172.0 | 132.5 | 116.6 | 87.6 |
| A-Plant | 71.6 | 53.9 | 22.9 | 16.3 | 9.5 | 4.2 |
| Group central costs | - | - | (2.4) | (2.5) | (2.4) | (2.4) |
| | 439.2 | 355.4 | 192.5 | 146.3 | 123.7 | 89.4 |
| Net financing costs | | | | | (10.9) | (10.5) |
| **Profit before tax and amortisation** | | | | | 112.8 | 78.9 |
| Amortisation | | | | | (2.4) | (1.3) |
| Profit before taxation | | | | | 110.4 | 77.6 |
| *Margins* | | | | | | |
| *Sunbelt* | | | *46.8%* | *43.9%* | *31.7%* | *29.0%* |
| *A-Plant* | | | *32.0%* | *30.4%* | *13.3%* | *8.0%* |
| *Group* | | | *43.8%* | *41.2%* | *28.2%* | *25.2%* |

Second quarter results continued the trends of recent quarters with Sunbelt's rental revenue growing 21% to $519m (2012: $428m). This comprised a 15% increase in fleet on rent and a 5% higher yield. In the UK, A-Plant's second quarter rental revenue grew by 34% to £64m (2012: £48m) including 22% growth in average fleet on rent, and a 10% improvement in yield. Rental revenue growth excluding Eve was 20%, reflecting 11% more fleet on rent and 8% yield improvement.

Total revenue growth for the Group of 23% at constant rates included used equipment sales revenue of £26m (2012: £27m).

Group pre-tax profit before amortisation of acquired intangibles grew to £113m from £79m. This reflected the operating profit growth and net financing costs unchanged at £11m (2012 restated: £11m). After £2.4m of intangible amortisation, the statutory profit before tax was £110m (2012: £78m).

**Balance sheet**

Fixed assets

Capital expenditure in the first half totalled £451m (2012: £341m) with £407m invested in the rental fleet (2012: £303m). Expenditure on rental equipment was 90% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Replacement | Growth | Total | Total |
| Sunbelt in $m | 144.9 | 407.8 | 552.7 | 415.9 |
| Sunbelt in £m | 90.2 | 253.8 | 344.0 | 258.2 |
| A-Plant | 26.9 | 36.1 | 63.0 | 44.6 |
| Total rental equipment | 117.1 | 289.9 | 407.0 | 302.8 |
| Delivery vehicles, property improvements & IT equipment | | | 44.1 | 38.3 |
| Total additions | | | 451.1 | 341.1 |

US demand remained strong and, as a result, $408m of rental equipment capital expenditure was spent on growth while $145m 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 2013 was 29 months (2012: 32 months) on a net book value basis. Sunbelt's fleet had an average age of 27 months (2012: 31 months) while A-Plant's fleet had an average age of 35 months (2012: 38 months).

| | Rental fleet at original cost | | | LTM rental | LTM dollar | LTM physical |
|---|---|---|---|---|---|---|
| | 31 Oct 2013 | 30 April 2013 | LTM average | revenue | utilisation | utilisation |
| Sunbelt in $m | 3,307 | 2,868 | 2,938 | 1,797 | 61% | 72% |
| Sunbelt in £m | 2,058 | 1,843 | 1,829 | 1,151 | 61% | 72% |
| A-Plant | 444 | 369 | 399 | 215 | 54% | 71% |
| | 2,502 | 2,212 | 2,228 | 1,366 | | |

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 2013, rose to 61% at Sunbelt (2012: 58%) and 54% at A-Plant (2012: 49%). 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 2013, average physical utilisation was 72% at Sunbelt (2012: 70%) and 71% at A-Plant (2012: 65%). At Sunbelt, physical utilisation is measured for equipment with an original cost in excess of $7,500 which comprised approximately 93% of its fleet at 31 October 2013.

Trade receivables

Receivable days at 31 October were 45 days (2012: 45 days). The bad debt charge for the six months ended 31 October 2013 as a percentage of total turnover was 0.6% (2012: 0.6%). Trade receivables at 31 October 2013 of £234m (2012: £185m) are stated net of allowances for bad debts and credit notes of £18m (2012: £16m) with the allowance representing 7.3% (2012: 8.0%) of gross receivables.

Trade and other payables

Group payable days were 68 days in 2013 (2012: 62 days) with capital expenditure related payables, which have longer payment terms, totalling £138m (2012: £68m). 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 2013 £m | Six months to 31 October 2012 £m (restated) | LTM to 31 October 2013 £m | Year to 30 April 2013 £m (restated) |
|---|---|---|---|---|
| **EBITDA before exceptional items** | 369.2 | 275.6 | 612.6 | 519.0 |
| **Cash inflow from operations before exceptional items and changes in rental equipment** | 302.2 | 221.1 | 582.4 | 501.3 |
| *Cash conversion ratio** | *81.9%* | *80.2%* | *95.1%* | *96.6%* |
| Replacement rental capital expenditure | (144.1) | (174.5) | (240.2) | (270.6) |
| Payments for non-rental capital expenditure | (44.2) | (39.8) | (62.7) | (58.3) |
| Rental equipment disposal proceeds | 41.3 | 42.3 | 86.6 | 87.6 |
| Other property, plant and equipment disposal proceeds | 4.1 | 6.0 | 6.0 | 7.9 |
| Tax (net) | (9.2) | (2.7) | (13.3) | (6.8) |
| Financing costs | (20.5) | (21.2) | (40.8) | (41.5) |
| **Cash inflow before growth capex and payment of exceptional costs** | **129.6** | **31.2** | **318.0** | **219.6** |
| Growth rental capital expenditure | (264.6) | (198.8) | (319.4) | (253.6) |
| Exceptional costs | (1.3) | (14.8) | (2.3) | (15.8) |
| **Total cash used in operations** | **(136.3)** | **(182.4)** | **(3.7)** | **(49.8)** |
| Business acquisitions | (61.3) | - | (95.1) | (33.8) |
| **Total cash absorbed** | **(197.6)** | **(182.4)** | **(98.8)** | **(83.6)** |
| Dividends | (30.1) | (12.5) | (37.6) | (20.0) |
| Purchase of own shares by the ESOT | (22.4) | (10.1) | (22.5) | (10.2) |
| **Increase in net debt** | **(250.1)** | **(205.0)** | **(158.9)** | **(113.8)** |

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

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 37% to £302m. Reflecting a seasonal increase in working capital (particularly trade receivables), the first half cash conversion ratio was 81.9% (2012: 80.2%). 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 half were £453m. Disposal proceeds received totalled £45m, giving net payments for capital expenditure of £408m in the first half (2012: £365m). Financing costs paid totalled £21m (2012: £21m) while tax payments were £9m (2012: £3m).

Accordingly, in the first half the Group generated £130m (2012: £31m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet. After growth investment, payment of exceptional costs (closed property costs and financing costs in the prior year) and acquisitions, there was a net cash outflow of £198m (2012: £182m).

Net debt

| | 31 October 2013 £m | 31 October 2012 £m | 30 April 2013 £m |
|---|---|---|---|
| First priority senior secured bank debt | 922.1 | 762.9 | 716.7 |
| Finance lease obligations | 4.0 | 3.4 | 2.9 |
| 6.5% second priority senior secured notes, due 2022 | 305.2 | 303.7 | 314.8 |
| | 1,231.3 | 1,070.0 | 1,034.4 |
| Cash and cash equivalents | (1.5) | (1.3) | (20.3) |
| Total net debt | 1,229.8 | 1,068.7 | 1,014.1 |

Net debt at 31 October 2013 was £1,230m with the increase since 30 April 2013 reflecting principally the net cash outflow set out above, partially offset by £37m of currency translation effect. The Group's EBITDA for the twelve months ended 31 October 2013 was £613m and the ratio of net debt to EBITDA was therefore 2.0 times at 31 October 2013 (2012: 2.4 times) on a reported basis and 2.1 times (2012 : 2.4 times) on a constant currency basis.

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

There are two financial performance covenants under the first priority senior bank facility:

- funded debt to LTM EBITDA before exceptional items not to exceed 4.0 times; and
- a fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last twelve months) which must be equal to or greater than 1.0 times.

These covenants do not apply when excess availability (the difference between the borrowing base and net facility utilisation) exceeds $200m. At 31 October 2013, excess availability under the bank facility was $463m ($667m at 30 April 2013), with an additional $540m of suppressed availability, meaning that covenants were not measured at 31 October 2013 and are unlikely to be measured in forthcoming quarters.

As a matter of good practice, we calculate the covenant ratios each quarter. At 31 October 2013, as a result of the significant investment in our rental fleet, the fixed charge ratio, as expected, did not meet the covenant requirement whilst the leverage ratio did so comfortably. The fact the fixed charge ratio is currently below 1.0 times does not cause concern given the strong availability and management's ability to flex capital expenditure downwards at short notice. Accordingly, the accounts are prepared on a going concern basis.

**Principal risks and uncertainties**

Risks and uncertainties in achieving the Group's objectives for the remainder of the financial year, together with assumptions, estimates, judgements and critical accounting policies used in preparing financial information remain unchanged from those detailed in the 2013 Annual Report and Accounts on pages 18 to 26. 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 revenues 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. At 31 October 2013, 93% of our debt was denominated in US dollars and represented approximately 69% 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 October 2013, a 1% change in the US dollar exchange rate would impact pre-tax profit by £3m.

**OPERATING STATISTICS**

| | Number of rental stores | | | Staff numbers | | |
|---|---|---|---|---|---|---|
| | | 31 October | 30 April | | 31 October | 30 April |
| | 2013 | 2012 | 2013 | 2013 | 2012 | 2013 |
| Sunbelt | 407 | 372 | 388 | 7,326 | 6,822 | 7,141 |
| A-Plant | 121 | 110 | 106 | 2,220 | 1,916 | 1,934 |
| Corporate office | - | - | - | 10 | 10 | 10 |
| Group | 528 | 482 | 494 | 9,556 | 8,748 | 9,085 |

Sunbelt's rental store number includes 30 Sunbelt at Lowes stores at 31 October 2013.

## 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 2013 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 14. 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 1, 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 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 2013 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

Chartered Accountants and Statutory Auditor  
9 December 2013