

28<sup>th</sup> August 2009

**PRESS RELEASE**

**Lavendon Group plc (“the Company” or the “Group”)**

**Interim Results for the six months ended 30<sup>th</sup> June 2009**

Lavendon Group plc, Europe's market leader in the rental of powered access equipment, today announces its Interim Results for the six months ended 30th June 2009.

**Financial highlights**

- Company has performed in line with Board expectations:
  - Revenues £114.0m (2008: £123.0m)
  - EBITDA £40.5m\* (2008: £43.9m)
  - Operating profit £14.1m\* (2008: £20.7m)
  - Operating profit margin 12.4%\* (2008: 16.8%)
  - Profit before tax £5.3m\* (2008: £14.2m)
  - Earnings per share 8.75p\* (2008: 24.07p)

\* Prior to amortisation charges and exceptional items. Amortisation charges totalled £2.1m (2008: £2.3m) and exceptional items totalled £43.2m (2008: £nil). Cash cost of exceptional items £3.6m.

- Strong cash generation, and debt reduction programme on plan:
  - Cash generated from operations £31.0m (2008: £34.1m)
  - Capex reduced to £4.8m (2008: £39.5m)
  - Net debt at half year reduced to £273.1m from £305.0m at FY09
  - Debt to pre-exceptional EBITDA is 2.75 times compared to 3.13 times at FY09
  - Group remains fully compliant with its banking covenants
- Interim dividend 1.00 pence per share (2008: 3.33 pence per share)

**Operational highlights**

- Group continues to gain UK market share despite difficult conditions:
  - Integration process now complete, delivering an annualised cost benefit of approximately £11m
  - Successful in winning preferred supply deals with a number of prestige customers
  - Gained strong share of Olympics project and anticipate further volume growth
  - Successful acquisition of the trade and certain assets of EPL Access Limited
- Market positions in continental Europe being maintained, and resilience of operations improved through actions taken to reduce cost base and fleet size
- The Middle East has delivered impressive growth driven by fleet expansion to meet market demand, and will continue to be a priority for future investment

**Kevin Appleton, Chief Executive of Lavendon Group plc said:**

"Market conditions in the traditionally quieter first half have been challenging, but the business traded in line with our revised expectations. The Group was strongly cash generative in the period and our debt reduction plan for the year is on track.

As European market leader, the current economic conditions are providing us with an opportunity to grow our market share, which we will look to continue to do in the second half of the year. We will also continue to manage the business tightly, with a focus on generating cash, to ensure we meet our debt reduction plan for the year."

**For further information please contact:**

**Lavendon Group plc**

Kevin Appleton, Chief Executive  
Alan Merrell, Group Finance Director

Today T: +44(0)207 831 3113  
Thereafter T: +44(0)1455 558874

**Financial Dynamics**

Billy Clegg/Caroline Stewart/Laura Proudlock

T: +44(0)207 831 3113

## CHAIRMAN'S STATEMENT

In the first half of the year, the Group's trading performance has reflected the difficult economic environment, and consequently the Group has focused on improving the efficiency of its operations, rationalising the cost base and on the generation of cash to reduce debt levels.

### *Financial Overview*

Group revenues for the six months to 30 June 2009 declined by 7% to £114.0 million (2008: £123.0 million). On a constant currency basis, Group revenues have decreased by 16%. Operating profits, prior to exceptional items and amortisation charges, were £14.1 million (2008: £20.7 million), with operating margins at 12.4% (2008: 16.8%).

With net interest costs increasing to £8.8 million (2008: £6.5 million), the Group's profit before tax, amortisation charges and exceptional items was £5.3 million (2008: £14.2 million), with corresponding basic earnings per share of 8.75 pence (2008: 24.07 pence).

Earnings before interest, tax, depreciation and amortisation (EBITDA), prior to exceptional items, were £40.5 million (2008: £43.9 million), with margins steady at 35.5% (2008: 35.6%). After exceptional cash items, EBITDA for the first half of the year was £36.9 million (2008: £43.9 million). Cash generated from operations, including the sale and purchase of rental fleet and other assets, was £31.0 million (2008: £34.1 million). Net cash generated from operating activities, after the payment of interest and tax, was £18.7 million (2008: £26.0 million).

Amortisation charges totalled £2.1 million (2008: £2.3 million) for the first six months and exceptional items totalled £43.2 million (2008: £nil), of which £3.6 million were cash costs relating to operational restructuring in the UK, Germany and Spain. The non-cash exceptional items of £39.6 million in total related to asset write-downs of £8.8 million in the UK, France and Spain and an impairment of the Group's goodwill and other intangible assets of £30.8 million. The non-cash asset write-down and impairment charges were taken in light of the challenging market conditions that the Group is experiencing in its European operations and the uncertainty on the timing of any future recovery.

After exceptional items and amortisation charges, the Group produced an operating loss of £31.2 million (2008: profit of £18.4 million) and a loss before tax of £40.0 million (2008: profit of £11.9 million), with a corresponding basic loss per share of 78.03 pence (2008: earnings of 20.36 pence).

The Group's capital expenditure during the first half of the year was reduced to £4.8 million (2008: £39.5 million) and this represents the majority of the Group's investment plans for the year. In addition to this investment, amounts owing to equipment suppliers from the previous year-end of £5.0 million were settled, and disposal proceeds of £4.9 million were generated from the sale of retired assets. This combined activity resulted in a net cash outflow relating to capital expenditure of £4.9 million for the period (2008: £24.6 million).

A total of £9.6 million was settled during the period in deferred consideration and redemption of loan notes from acquisitions made in 2008 and earlier years. This was partly financed by a £1.2 million issue of shares.

The continued strength of the Group's cash flows, together with a favourable foreign exchange movement of £26.6 million on the Group's Euro-denominated borrowings (partly reversing the adverse foreign exchange movement of £42.4 million at the 2008 year-end), has enabled the Group to reduce net debt levels from £305.0 million at the previous year end to £273.1 million at the half year. The Group's net debt to pre-exceptional EBITDA, calculated on a rolling 12 month basis, was 2.75 times at the half year, compared to 3.13 times at the previous year-end. The Group remains fully compliant with its banking covenants.

## **Dividend**

The directors are declaring an interim dividend of 1.00 pence per share (2008: 3.33 pence per share). This will be paid on 16 October 2009 to shareholders on the register at the close of business on 11 September 2009.

## **Business Review**

Operating profits quoted within the business review are 'underlying operating profits' stated before exceptional items and amortisation charges.

### **UK**

Our UK businesses (Nationwide Platforms and Panther) experienced a more difficult market environment during the first half of the year, resulting in a sharp decline in demand. The weakness in demand levels is attributable to a combination of commercial and industrial construction projects being shelved or postponed for a lack of commercial viability or available funding, together with a marked fall in discretionary non-construction activities such as commercial signage.

Conscious of this market environment, we accelerated the final phase of our integration activities in the UK, successfully completing the process in April 2009. Our substantial scale has enabled the overall integration programme over the last 12 months to deliver a reduction in the UK's annual cost base of around £11 million, through reducing the number of depot locations by 34%, decreasing headcount by 28% and scaling back the rental fleet by 13%. Whilst this has been a painful process for all involved, it has increased the business' resilience to the current economic climate and has positioned it to benefit strongly when market conditions improve.

In addition to securing a more efficient cost base, the UK business has been successful in winning preferred supply deals with a number of major clients and prestigious projects, which we believe is increasing our market share. Our fleet, training and accessories range, as well as the information support we are able to provide, allows us to offer genuine efficiency advantages to major customers, which are hard for many smaller competitors to replicate. Additionally, as part of the Construction Site Solutions Consortium, supplying various products into the 2012 Olympic park build programme, we have gained a strong share of the current powered access rental requirement for the project, and anticipate further volume growth in the second half of 2009 and throughout 2010.

In August 2009, we acquired the trade and certain assets of EPL Access Limited out of administration for a cash consideration of £1.3 million, together with the assumption of £2.8 million of debt. This business is currently being integrated into Nationwide Platforms, a process expected to yield some £1.5 million in cost synergies at a one-off restructuring exceptional cost of £0.5 million. Trading of EPL since acquisition has been in line with our expectations.

Revenues for the first six months declined by 20% to £52.2 million (2008: £65.3 million), with a like-for-like revenue decline, after making adjustments for the acquisition of The Platform Company completed in April 2008, estimated at around 30%. This revenue decline, partly offset by savings from the integration of the UK operations, resulted in underlying operating profits falling to £4.4 million (2008: £9.9 million), with operating margins at 8.4% (2008: 15.2%).

### **Germany**

The German market has slowed over the first half of the year, with evidence of rate pressure and reduced activity levels across most customer sectors. At the same time, our business has benefited from increased stability, following some post-merger disruption in the first quarter of last year, and this has allowed us to re-gain some market share, albeit in a weakened market.

To mitigate these market conditions, further actions have been taken to reduce the cost base during the first half of the year. These actions were substantially complete by the end of May and have lowered the annual cost base by around €2.5 million. Opportunities for further substantial cost reductions, through the consolidation of depots and subsequent increase in scale of operations, are limited due to the distances between conurbations. Consequently, additional efficiency gains will be sought through improvements in operational systems and processes over the coming months.

Euro revenues for the first half declined by 13% however, after adjusting for exchange rate movements, revenues in Sterling grew by 1% to £26.0 million (2008: £25.8 million). Underlying operating profits reduced to £1.1 million (2008: £3.3 million), with operating margins declining to 4.2% (2008: 12.8%).

### **France and Belgium**

Whilst markets in both countries have been subdued during the first half, we have sought to manage the impact by reducing overall fleet size and carefully controlling variable costs. These actions should further increase the operational leverage available from the depot network, following the process of depot consolidation undertaken in 2008, once market conditions improve.

In the first half, combined Euro revenues declined by 22% compared to the same period last year, but in Sterling terms revenues reduced by 9% to £14.0 million (2008: £15.4 million). Underlying operating profits for the first half were £1.9 million (2008: £2.8 million), with operating margins declining to 13.6% (2008: 18.2%).

### **Spain**

Spain remains an extremely weak market, with the Spanish industry association for rental, ANAPAT, estimating that there is currently excess capacity of powered access equipment in the market of around 30% and that end-user demand is continuing to decline. During the first half, we have taken actions to reduce the fleet size and headcount costs, and will continue to do so as the year progresses. Our clear focus is to ensure that the business does not create trading or cash pressures for the rest of the Group, whilst we wait for market opportunities to develop.

As a result of reduced volumes and pressure on hire rates, local currency revenues have fallen by 42%, and, in Sterling terms, by 32% to £5.0 million (2008: £7.4 million). This fall in revenue, whilst partly offset by the cost-saving actions, has produced a breakeven result for the first half (2008: profit of £1.6 million).

### **Middle East**

Our Middle East business has enjoyed another period of impressive growth, driven by an increase in fleet size (average fleet size has increased by almost 500 units, or 45%, compared to a year ago) to meet market demand that continues to develop strongly in many parts of the region. The outlook for major projects remains encouraging for the foreseeable future and we will continue to develop the scale and quality of our business both through investment in people and premises, and further deployment of equipment in the coming months.

Revenues in the region have grown by 39% in local currencies and by 86% on translation to Sterling, reaching £16.9 million (2008: £ 9.1 million). As the mix of our revenue streams moves more towards the higher margin rental business, and away from the sale of new equipment, our underlying operating profits have increased strongly to £6.8 million (2008: £3.0 million), despite the continued drag of expansion costs on our profitability. Operating margins were very healthy at 40.2% (2008: 33.0%).

### **Summary and Outlook**

The European economic climate has deteriorated rapidly and significantly from the fourth quarter of 2008, and visibility of short-term future demand is more opaque than we have ever experienced.

We have responded to these circumstances by accelerating our business consolidation efforts to eliminate duplicate costs and excess fleet wherever possible. Following this consolidation, the Group's European workforce has been reduced by over 270 people in the past 15 months (14% of the total workforce), and

similarly the Group's rental fleet has been reduced by some 2,500 units (10% of the total rental fleet). At the same time, we have continued to invest in our Middle East business, re-deploying fleet from our European operations, to meet market demand. The Middle East is now our strongest profit generator, and is likely to remain so in the immediate future, and will remain a priority area for investment and development.

Coupled with these efforts we have maintained a clear focus on cash generation. We significantly reduced our capital expenditure during the first half of the year, to less than £5.0 million, and will continue to limit our requirements until market conditions improve and warrant increased investment. This control, together with our successful drive to generate cash through the disposal of retired rental fleet units and proactive management of working capital, has enabled us to make good progress on debt reduction.

Our profitability is inextricably linked to our revenue performance and this, in turn, is governed by a market environment that remains extremely difficult to predict. Nonetheless, we are confident in our ability to generate strong cash flows to reduce debt levels, and we continue to review ways to accelerate this process of deleveraging, to ensure that the Group remains securely financed and in a position to benefit from the eventual market upturn as well as any further consolidation opportunities that arise in the medium term.

Whilst demand in July was more subdued than expected, the Group is moving into its traditionally stronger trading half of the year, and provided our normal seasonal patterns prevail for the remainder of the year, the Group should continue to trade in line with management's expectations.

## Group income statement (unaudited)

	6 months ended 30 June 2009			Restated (see note 1) 6 months ended 30 June 2008			Restated (see note 1) Year ended 31 December 2008		
	Underlying £'000	Exceptional Items and Amortisation £'000	Total £'000	Underlying £'000	Exceptional Items and Amortisation £'000	Total £'000	Underlying £'000	Exceptional Items and Amortisation £'000	Total £'000
Revenue	114,008	-	114,008	123,012	-	123,012	259,767	-	259,767
Cost of sales	(71,015)	(10,615)	(81,630)	(69,761)	-	(69,761)	(149,476)	-	(149,476)
Gross profit	42,993	(10,615)	32,378	53,251	-	53,251	110,291	-	110,291
Operating expenses	(28,858)	(34,677)	(63,535)	(32,572)	(2,268)	(34,840)	(63,869)	(7,877)	(71,746)
Operating profit/(loss)	14,135	(45,292)	(31,157)	20,679	(2,268)	18,411	46,422	(7,877)	38,545
Interest receivable	8	-	8	129	-	129	254	-	254
Interest payable	(8,832)	-	(8,832)	(6,644)	-	(6,644)	(16,292)	-	(16,292)
Profit/(loss) before tax	5,311	(45,292)	(39,981)	14,164	(2,268)	11,896	30,384	(7,877)	22,507
Tax	(1,217)	4,681	3,464	(3,332)	598	(2,734)	(6,927)	1,787	(5,140)
Profit/(loss) for the period	4,094	(40,611)	(36,517)	10,832	(1,670)	9,162	23,457	(6,090)	17,367
Earnings/(loss) per share									
- basic	8.75p		(78.03p)	24.07p		20.36p	51.44p		38.09p
- diluted	8.58p		(76.56p)	23.00p		19.45p	49.18p		36.41p

All of the Group's trading activities relate to continuing activities.

## Group statement of comprehensive income (unaudited)

	6 months ended 30 June 2009 £'000	6 months ended 30 June 2008 £'000	Year ended 31 Dec 2008 £'000
(Loss)/profit for the period	(36,517)	9,162	17,367
Other comprehensive income:			
Cash flow hedges, net of tax	(471)	55	(1,654)
Currency translation differences	(6,390)	3,544	9,845
	(6,861)	3,599	8,191
Total comprehensive income for the period attributable to owners of the company	(43,378)	12,761	25,558

## Group balance sheet (unaudited)

	Notes	As at 30 June 2009 £'000	Restated (see note 1) As at 30 June 2008 £'000	Restated (see note 1) As at 31 Dec 2008 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill	8	79,172	100,762	114,149
Other intangible assets	8	8,653	15,168	14,723
Property, plant and equipment	9	306,111	350,731	361,842
		393,936	466,661	490,714
<b>Current assets</b>				
Inventories	10	10,610	5,334	5,160
Trade and other receivables		50,600	60,383	60,152
Financial assets – derivative financial instruments		-	293	-
Cash and cash equivalents		10,441	17,448	14,674
		71,651	83,458	79,986
<b>Liabilities</b>				
<b>Current liabilities</b>				
Financial liabilities – borrowings		(52,250)	(50,152)	(54,854)
Trade and other payables		(36,421)	(84,886)	(51,258)
Current tax liabilities		(10,327)	(13,053)	(9,999)
		(98,998)	(148,091)	(116,111)
Net current liabilities		(27,347)	(64,633)	(36,125)
<b>Non-current liabilities</b>				
Financial liabilities – borrowings		(231,331)	(225,998)	(264,772)
Financial liabilities – derivative financial instruments		(2,735)	-	(2,081)
Deferred tax liabilities		(27,279)	(32,419)	(32,518)
Other non-current liabilities		-	(7,453)	(7,448)
		(261,345)	(265,870)	(306,819)
Net assets		105,244	136,158	147,770
<b>Shareholders' equity</b>				
Ordinary shares		473	457	462
Share premium		103,184	101,892	101,961
Capital redemption reserve		4	4	4
Other reserves		(2,032)	237	4,829
Retained earnings		3,615	33,568	40,514
Total equity		105,244	136,158	147,770

The condensed consolidated interim financial information on pages 6 to 22 was approved by the Board of Directors on 28 August 2009 and signed on its behalf by:

David Hollywood  
Chairman

Alan Merrell  
Finance Director

## Group statement of cash flows (unaudited)

	Notes	6 months ended 30 June 2009 £'000	Restated (see note 1) 6 months ended 30 June 2008 £'000	Restated (see note 1) Year ended 31 Dec 2008 £'000
Cash flows from operating activities:				
(Loss)/profit for the period		(36,517)	9,162	17,367
Taxation (credit)/charge	5	(3,464)	2,734	5,140
Net interest expense	4	8,824	6,515	16,038
Amortisation, depreciation and impairment	8, 9	68,089	25,475	55,114
Gain on sale of property, plant and equipment		(1,321)	(1,457)	(1,887)
Proceeds from sale of property, plant and equipment		4,901	6,652	11,397
Purchase of property, plant and equipment		(3,488)	(6,064)	(16,193)
Other non-cash movements		401	325	745
Net increase in working capital		(6,435)	(9,225)	(14,410)
Cash generated from operations		30,990	34,117	73,311
Net interest paid		(11,955)	(5,972)	(13,503)
Taxation paid		(349)	(2,135)	(7,473)
Net cash generated from operating activities		18,686	26,010	52,335
Cash flows from investing activities:				
Acquisition of subsidiaries (net of cash acquired)		(7,194)	(21,868)	(28,742)
Net cash used by investing activities		(7,194)	(21,868)	(28,742)
Cash flows from financing activities:				
Drawdown of loans		10,529	25,322	183,870
Repayment of loans		(1,000)	(7,380)	(159,765)
Repayment of principal under hire purchase agreements		(22,797)	(17,897)	(38,383)
Settlement of loan notes		(1,160)	(1,240)	(5,068)
Repayment of guaranteed debt		-	-	(3,959)
Equity dividends paid	7	(773)	(2,749)	(4,288)
Proceeds from equity shares issued		76	62	136
Net cash used by financing activities		(15,125)	(3,882)	(27,457)
Net (decrease)/increase in cash and cash equivalents before exchange differences		(3,633)	260	(3,864)
Effects of exchange rates		(600)	467	1,817
Net (decrease)/increase in cash and cash equivalents after exchange differences		(4,233)	727	(2,047)
Cash and cash equivalents at start of period		14,674	16,721	16,721
Cash and cash equivalents at end of period		10,441	17,448	14,674

**Analysis of changes in net borrowings (unaudited)  
during the six months ended 30 June 2009**

	At 1 Jan 2009 £'000	Cash flows £'000	Non cash items £'000	Currency translation differences £'000	At 30 June 2009 £'000
Cash and cash equivalents	14,674	(3,633)	-	(600)	10,441
Bank debt due within one year	(4,342)	(463)	(2,874)	695	(6,984)
Bank debt due after one year	(167,596)	(9,066)	4,703	20,211	(151,748)
Guaranteed deferred consideration	(10,046)	-	-	629	(9,417)
Hire purchase and finance lease agreements	(137,642)	22,797	(6,238)	5,651	(115,432)
	(319,626)	13,268	(4,409)	27,186	(283,581)
Net borrowings	(304,952)	9,635	(4,409)	26,586	(273,140)

## Statement of changes in equity (unaudited)

### For the six months ended 30 June 2009

	Attributable to owners of the Company							
	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Translation reserve £'000	Cash flow hedge reserve £'000	Net investment hedge reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2009	462	101,961	4	25,533	(1,453)	(19,251)	40,514	147,770
Loss for the period	-	-	-	-	-	-	(36,517)	(36,517)
Other comprehensive income:								
Cash flow hedges, net of tax	-	-	-	-	(471)	-	-	(471)
Currency translation differences	-	-	-	(11,956)	-	5,566	-	(6,390)
Total comprehensive income for the period	-	-	-	(11,956)	(471)	5,566	(36,517)	(43,378)
Transactions with owners:								
Share based payments	-	-	-	-	-	-	401	401
Tax movement on share based payments	-	-	-	-	-	-	(10)	(10)
Shares issued	11	1,223	-	-	-	-	-	1,234
Dividends paid in the period	-	-	-	-	-	-	(773)	(773)
	11	1,223	-	-	-	-	(382)	852
Balance at 30 June 2009	473	103,184	4	13,577	(1,924)	(13,685)	3,615	105,244

### For the six months ended 30 June 2008

	Attributable to owners of the Company							
	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Translation reserve £'000	Cash flow hedge reserve £'000	Net investment hedge reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2008	440	95,347	4	(1,528)	201	(2,035)	26,966	119,395
Profit for the period	-	-	-	-	-	-	9,162	9,162
Other comprehensive income:								
Cash flow hedges, net of tax	-	-	-	-	55	-	-	55
Currency translation differences	-	-	-	7,252	-	(3,708)	-	3,544
Total comprehensive income for the period	-	-	-	7,252	55	(3,708)	9,162	12,761
Transactions with owners:								
Share based payments	-	-	-	-	-	-	325	325
Tax movement on share based payments	-	-	-	-	-	-	(136)	(136)
Shares issued	17	6,545	-	-	-	-	-	6,562
Dividends paid in the period	-	-	-	-	-	-	(2,749)	(2,749)
	17	6,545	-	-	-	-	(2,560)	4,002
Balance at 30 June 2008	457	101,892	4	5,724	256	(5,743)	33,568	136,158

## Statement of changes in equity (unaudited)

For the year ended 31 December 2008

	Attributable to owners of the Company							
	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Translation reserve £'000	Cash flow hedge reserve £'000	Net investment hedge reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2008	440	95,347	4	(1,528)	201	(2,035)	26,966	119,395
Profit for the period	-	-	-	-	-	-	17,367	17,367
Other comprehensive income:								
Cash flow hedges, net of tax	-	-	-	-	(1,654)	-	-	(1,654)
Currency translation differences	-	-	-	27,061	-	(17,216)	-	9,845
Total comprehensive income for the period	-	-	-	27,061	(1,654)	(17,216)	17,367	25,558
Transactions with owners:								
Share based payments	-	-	-	-	-	-	745	745
Tax movement on share based payments	-	-	-	-	-	-	(276)	(276)
Shares issued	22	6,614	-	-	-	-	-	6,636
Dividends paid in the period	-	-	-	-	-	-	(4,288)	(4,288)
	22	6,614	-	-	-	-	(3,819)	2,817
Balance at 31 December 2008	462	101,961	4	25,533	(1,453)	(19,251)	40,514	147,770

## Notes to the interim financial information (unaudited)

1. The condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRSs as adopted by the European Union. This condensed consolidated interim financial information has been reviewed, not audited. The condensed consolidated interim financial information set out on pages 6 to 22 does not comprise statutory accounts for the purpose of section 434 of the Companies Act 2006. Comparative figures for the six months to 30 June 2008 and 12 months to 31 December 2008 have been previously presented in the Group's Interim and Annual reports for 2008 and do not comprise statutory accounts for the purposes of section 240 of the Companies Act 1985. Further details of these and the accounting policies under IFRS as adopted by the European Union are available on the Group's website ([www.lavendongroup.com](http://www.lavendongroup.com)). The Group's statutory accounts for the year to 31 December 2008 have been filed with the Registrar of Companies. The auditors, PricewaterhouseCoopers LLP, reported on those accounts and their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Except as described below, the accounting policies adopted in this report are consistent with those of the annual financial statements for the year to 31 December 2008, as described in those annual financial statements.

The following new accounting standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2009 and have been adopted by the Group:

i) IAS16 (amendment), 'Property, plant and equipment' (and consequential amendment to IAS7, 'Statement of cash flows') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the disposal of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The impact of this amendment on the Group's income statement is to reclassify fleet disposals from operating expenses to revenue and cost of sales. Revenue increases by £4,901,000 to £114,008,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: increase of £6,652,000 to £123,012,000, year ended 31 December 2008: increase of £11,397,000 to £259,767,000). Cost of sales increases by £3,580,000 to £81,630,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: increase of £5,195,000 to £69,761,000, year ended 31 December 2008: increase of £9,510,000 to £149,476,000).

The impact on the Group's statement of cash flows is to reclassify the purchase and sale of rental fleet assets from investing activities to operating activities, increasing cash generated from operations by £1,413,000 to £30,990,000 for the six months ended 30 June 2009 (six months ended 30 June 2008 increase of £588,000 to £34,117,000, year ended 31 December 2008 decrease of £4,796,000 to £73,311,000).

ii) IAS1 (revised) 'Presentation of financial statements'. The revised standard requires all non owner changes in equity to be presented separately from owner changes in equity. The Group has elected to present non owner changes in equity in a group statement of comprehensive income, separate from the group income statement.

iii) IFRS8 'Operating segments'. For more information see note 2.

iv) IAS23 (Revised) 'Borrowing costs'. There were no material amendments following the adoption of IAS23.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

v) IFRS3 (Revised) 'Business combinations'

vi) IFRIC17 'Distributions of non-cash assets to owners'

vii) IFRIC18 'Transfers of assets from customers'

## 2. Segmental analysis

With effect from 1 January 2009, the Group adopted IFRS8 "Operating Segments". This accounting standard requires a "through the eyes of management" approach under which segment information is presented on the same basis as that used for internal reporting purposes. For internal reporting, Lavendon Group is organised into six operating segments based on the geographical locations of UK, Germany, Belgium, France, Spain and Middle East.

Lavendon Group's chief operating decision maker is the Group Executive Board. The Group Executive Board reviews the Group's internal reporting in order to monitor and assess performance of the operating segments for the purpose of making decisions about resources to be allocated. Performance is evaluated based on a combination of revenue and underlying operating profit.

The segmental information for the six months ended 30 June 2008 and year ended 31 December 2008 has been restated to show Belgium and France as separate operating segments as a result of adopting IFRS8 "Operating Segments".

### Six months ended 30 June 2009

	UK £'000	Germany £'000	Belgium £'000	France £'000	Spain £'000	Middle East £'000	Group £'000
Revenue	52,161	25,967	7,763	6,197	5,002	16,918	114,008
Operating profit before exceptional items and amortisation	4,392	1,050	1,652	236	42	6,763	14,135
Amortisation	(877)	(256)	(610)	(15)	(316)	(3)	(2,077)
Exceptional items	(10,608)	(9,388)	(9,711)	(416)	(13,092)	-	(43,215)
Operating (loss)/profit	(7,093)	(8,594)	(8,669)	(195)	(13,366)	6,760	(31,157)
Interest receivable							8
Interest payable							(8,832)
Loss before taxation							(39,981)
Taxation							3,464
Loss for the period							(36,517)
Assets	232,274	88,809	50,046	26,251	25,820	42,387	465,587
Liabilities before group funding	(134,887)	(21,538)	(20,549)	(5,690)	(16,681)	(2,266)	(201,611)
Net assets before group funding	97,387	67,271	29,497	20,561	9,139	40,121	263,976
Group funding							(158,732)
Net assets							105,244
Capital expenditure	2,756	1,493	176	99	30	238	4,792
Depreciation	12,284	5,803	1,136	2,174	1,486	3,486	26,369
Exceptional impairment of property, plant and equipment	7,474	-	-	402	985	-	8,861
Amortisation of intangible assets	877	256	610	15	316	3	2,077
Exceptional impairment of intangible assets	-	9,016	9,711	-	12,055	-	30,782

#### Note:

The assets and depreciation charge shown for the Middle East operation includes rental equipment owned by the UK operation, but which is used by and costed to the Middle East operation. The inclusion of the assets and depreciation charge in the Middle East more accurately reflects the commercial nature of the arrangement.

The information disclosed for the UK operation includes certain centralised Group costs, assets and liabilities which may relate to the operation and financing of overseas subsidiaries.

Inter segment trading is not significant and therefore has been eliminated in the analysis presented above, so that only trading between the Group and external third parties is represented.

## 2. Segmental analysis continued

### Six months ended 30 June 2008

	UK £'000	Germany £'000	Belgium £'000	France £'000	Spain £'000	Middle East £'000	Group £'000
Revenue	65,265	25,801	9,022	6,409	7,379	9,136	123,012
Operating profit before exceptional items and amortisation	9,929	3,253	2,312	513	1,640	3,032	20,679
Amortisation	(998)	(195)	(810)	(18)	(245)	(2)	(2,268)
Exceptional items	-	-	-	-	-	-	-
Operating profit	8,931	3,058	1,502	495	1,395	3,030	18,411
Interest receivable							129
Interest payable							(6,644)
Profit before taxation							11,896
Taxation							(2,734)
Profit for the period							9,162
Assets	277,511	103,257	61,852	29,945	52,808	24,746	550,119
Liabilities before group funding	(154,908)	(32,860)	(27,113)	(6,581)	(47,714)	(1,799)	(270,975)
Net assets before group funding	122,603	70,397	34,739	23,364	5,094	22,947	279,144
Group funding							(142,986)
Net assets							136,158
Capital expenditure	22,081	7,728	3,757	1,497	4,133	301	39,497
Depreciation	11,525	5,200	1,335	1,601	1,618	1,928	23,207
Exceptional impairment of property, plant and equipment	-	-	-	-	-	-	-
Amortisation of intangible assets	998	195	810	18	245	2	2,268
Exceptional impairment of intangible assets	-	-	-	-	-	-	-

#### Note:

The assets and depreciation charge shown for the Middle East operation includes rental equipment owned by the UK operation, but which is used by and costed to the Middle East operation. The inclusion of the assets and depreciation charge in the Middle East more accurately reflects the commercial nature of the arrangement.

The information disclosed for the UK operation includes certain centralised Group costs, assets and liabilities which may relate to the operation and financing of overseas subsidiaries.

Inter segment trading is not significant and therefore has been eliminated in the analysis presented above, so that only trading between the Group and external third parties is represented.

## 2. Segmental analysis continued

Year ended 31 December 2008

	UK £'000	Germany £'000	Belgium £'000	France £'000	Spain £'000	Middle East £'000	Group £'000
Revenue	137,471	55,242	16,791	13,177	14,028	23,058	259,767
Operating profit before exceptional items and amortisation	21,591	7,934	6,459	945	2,224	7,269	46,422
Amortisation	(1,456)	(455)	(1,770)	(32)	(560)	(5)	(4,278)
Exceptional items	(2,358)	(740)	-	(237)	(264)	-	(3,599)
Operating profit	17,777	6,739	4,689	676	1,400	7,264	38,545
Interest receivable							254
Interest payable							(16,292)
Profit before taxation							22,507
Taxation							(5,140)
Profit for the period							17,367
Assets	260,099	115,758	73,358	33,839	47,837	39,809	570,700
Liabilities before group funding	(162,605)	(28,533)	(26,011)	(7,772)	(22,306)	(3,765)	(250,992)
Net assets before group funding	97,494	87,225	47,347	26,067	25,531	36,044	319,708
Group funding							(171,938)
Net assets							147,770
Capital expenditure	23,629	13,839	5,035	2,136	4,593	9,723	58,955
Depreciation	24,936	10,718	2,889	3,781	3,662	4,850	50,836
Exceptional impairment of property, plant and equipment	-	-	-	-	-	-	-
Amortisation of intangible assets	1,456	455	1,770	32	560	5	4,278
Exceptional impairment of intangible assets	-	-	-	-	-	-	-

### Note:

The assets and depreciation charge shown for the Middle East operation includes rental equipment owned by the UK operation, but which is used by and costed to the Middle East operation. The inclusion of the assets and depreciation charge in the Middle East more accurately reflects the commercial nature of the arrangement.

The information disclosed for the UK operation includes certain centralised Group costs, assets and liabilities which may relate to the operation and financing of overseas subsidiaries.

Inter segment trading is not significant and therefore has been eliminated in the analysis presented above, so that only trading between the Group and external third parties is represented.

### 3. Exceptional items and amortisation

Exceptional items and amortisation incurred during the period are set out below:

	6 months ended 30 Jun 2009 £'000	6 months ended 30 Jun 2008 £'000	Year ended 31 Dec 2008 £'000
Exceptional costs of sale:			
- plant and machinery write down (i)	8,596	-	-
- restructuring costs (ii)	2,019	-	-
	10,615	-	-
Exceptional operating expenses:			
- goodwill write down (iii)	27,322	-	-
- other intangible assets write down (iv)	3,460	-	-
- restructuring costs (ii)	1,553	-	3,599
- property write down	265	-	-
	32,600	-	3,599
<b>Total exceptional items</b>	<b>43,215</b>	<b>-</b>	<b>3,599</b>
<b>Amortisation</b>	<b>2,077</b>	<b>2,268</b>	<b>4,278</b>
<b>Total exceptional items and amortisation</b>	<b>45,292</b>	<b>2,268</b>	<b>7,877</b>

Notes:

(i) A number of rental units in the UK, France and Spain have been identified for disposal and their net book values have been written down to reflect the expected disposal value when sold (see note 9).

(ii) Restructuring costs relate to the Group's trading operations in the UK, Germany and Spain, and principally relate to employee termination costs, transport and storage of rental machines, depot closure costs and associated professional fees.

(iii) The goodwill write down relates to the impairment of the Group's goodwill for Belgium, Germany and Spain (see note 8).

(iv) The intangible asset write down relates to the impairment of other intangible assets acquired on acquisition of dK Rental in Belgium and Spain (see note 8).

(v) The effect on taxation of exceptional items is £4,077,000 credit (six months ended 30 June 2008: £nil, year ended 31 December 2008: £672,000 credit). The effect on taxation of amortisation is £604,000 credit (six months ended 30 June 2008: £598,000 credit, year ended 31 December 2008 £1,115,000 credit).

### 4. Interest receivable and payable

	6 months ended 30 Jun 2009 £'000	6 months ended 30 Jun 2008 £'000	Year ended 31 Dec 2008 £'000
Interest receivable:			
- bank interest	8	129	254
Interest payable:			
- interest on bank loans and overdraft	(5,124)	(3,575)	(8,740)
- interest on hire purchase and finance lease agreements	(3,483)	(3,069)	(7,094)
- interest on discounted deferred consideration	(225)	-	(458)
	(8,832)	(6,644)	(16,292)
<b>Net interest payable</b>	<b>(8,824)</b>	<b>(6,515)</b>	<b>(16,038)</b>

## 5. Taxation

Analysis of (credit)/charge for the period:

	6 months ended 30 Jun 2009 £'000	6 months ended 30 Jun 2008 £'000	Year ended 31 Dec 2008 £'000
Corporation taxation	551	4,196	7,184
Deferred taxation	(4,015)	(1,462)	(2,044)
Taxation	(3,464)	2,734	5,140

The tax (credit)/charge is based on the effective rate for the whole year.

## 6. Earnings per share

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Profit/(loss) £'000	Weighted average number of shares (in millions)	Per share amount pence
<b>Six months ended 30 June 2009</b>			
<b>Basic loss per share</b>			
Loss for the period	(36,517)	46.8	(78.03)
Effect of dilutive securities:		0.9	
Deferred shares			
Diluted loss per share	(36,517)	47.7	(76.56)
<b>Underlying earnings per share</b>			
Basic	4,094	46.8	8.75
Diluted	4,094	47.7	8.58

	Profit £'000	Weighted average number of shares (in millions)	Per share amount pence
<b>Six months ended 30 June 2008</b>			
<b>Basic earnings per share</b>			
Profit for the period	9,162	45.0	20.36
Effect of dilutive securities:			
Deferred shares		1.8	
Options		0.3	
Diluted earnings per share	9,162	47.1	19.45
<b>Underlying earnings per share</b>			
Basic	10,832	45.0	24.07
Diluted	10,832	47.1	23.00

## 6. Earnings per share continued

	Profit £'000	Weighted average number of shares (in millions)	Per share amount pence
<b>Year ended 31 December 2008</b>			
<b>Basic earnings per share</b>			
Profit for the period	17,367	45.6	38.09
Effect of dilutive securities:			
Deferred shares		1.8	
Options		0.3	
Diluted earnings per share	17,367	47.7	36.41
<b>Underlying earnings per share</b>			
Basic	23,457	45.6	51.44
Diluted	23,457	47.7	49.18

(Loss)/earnings per share are calculated on the 46,756,740 ordinary shares in issue for the six months ended 30 June 2009 being the weighted average number of ordinary shares in issue (six months ended 30 June 2008: 44,990,889; year ended 31 December 2008: 45,597,459).

Diluted (loss)/earnings per share assumes conversion of all potential dilutive ordinary shares which arise from share incentive scheme awards granted to employees and deferred consideration shares where the exercise price is less than the average market price of the Company's ordinary share capital during the six months. The effect of this dilution is to increase the weighted average number of ordinary shares to 47,674,043 (six months ended 30 June 2008: 47,140,969; year ended 31 December 2008: 47,676,009).

Underlying earnings per share is presented to exclude the impact of exceptional items and amortisation charges in the period and their associated tax effect. The Directors believe that underlying earnings per share provides additional relevant information about underlying business performance.

## 7. Dividends

	6 months ended 30 Jun 2009 £'000	6 months ended 30 Jun 2008 £'000	Year ended 31 Dec 2008 £'000
Final dividend paid in respect of 2008 of 1.67p per 1p ordinary share (2007: 6.25p)	773	2,749	2,749
Interim dividend paid in respect of 2008 of 3.33p per 1p ordinary share (2007: 2.75p)	-	-	1,539
	773	2,749	4,288

The directors are proposing an interim dividend of 1.00 pence per ordinary share which will distribute an estimated £473,000 of shareholders' funds. It will be paid on 16 October 2009 to shareholders who are on the register at 11 September 2009.

## 8. Intangible assets

	As at 30 June 2009		As at 30 June 2008		As at 31 Dec 2008	
	Goodwill	Other intangibles	Goodwill	Other intangibles	Goodwill	Other intangibles
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At start of period	114,149	24,319	71,944	14,123	71,944	14,123
Exchange movements	(7,655)	(1,397)	6,003	1,183	18,790	3,546
Additions	-	120	-	278	-	537
Recognised on acquisition	-	-	22,815	6,113	23,415	6,113
<b>At end of period</b>	<b>106,494</b>	<b>23,042</b>	<b>100,762</b>	<b>21,697</b>	<b>114,149</b>	<b>24,319</b>
<b>Amortisation</b>						
At start of period	-	9,596	-	4,156	-	4,156
Exchange movements	-	(744)	-	105	-	1,162
Charge for the period	-	2,077	-	2,268	-	4,278
Exceptional impairment	27,322	3,460	-	-	-	-
<b>At end of period</b>	<b>27,322</b>	<b>14,389</b>	<b>-</b>	<b>6,529</b>	<b>-</b>	<b>9,596</b>
<b>Net book amount at end of period</b>	<b>79,172</b>	<b>8,653</b>	<b>100,762</b>	<b>15,168</b>	<b>114,149</b>	<b>14,723</b>

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. For the purpose of determining potential goodwill impairment, recoverable amounts are determined from value in use calculations using cash flow projections based on financial plans covering a five year period, of which three years are based on formal financial plans. The growth rate assumptions used in the plans are based on past performance and management's expectations of market developments. The pre-tax rate used to discount the projected cash flows for all Cash Generating Units was 11%. The goodwill exceptional impairment charges total £27,322,000 (six months ended 30 June 2008: £nil, year ended 31 December 2008: £nil). The goodwill exceptional impairment charges by country are Belgium £8,426,000, Germany £9,016,000 and Spain £9,880,000.

The other intangibles exceptional impairment charge is £3,460,000 (six months ended 30 June 2008: £nil, year ended 31 December 2008: £nil). The other intangibles exceptional impairment charges by country are Belgium £1,285,000 and Spain £2,175,000.

## 9. Property, plant and equipment

	Note	6 months ended 30 Jun 2009 £'000	6 months ended 30 Jun 2008 £'000	Year ended 31 Dec 2008 £'000
Net book value at start of period		361,842	274,893	274,893
Additions		4,672	39,219	58,418
Recognised on acquisition		-	56,071	54,909
Disposals		(3,580)	(5,195)	(9,510)
Transferred to inventories	10	(5,908)	(1,161)	(1,230)
Depreciation		(26,369)	(23,207)	(50,836)
Exceptional impairment		(8,861)	-	-
Foreign exchange and other movements		(15,685)	10,111	35,198
<b>Net book value at end of period</b>		<b>306,111</b>	<b>350,731</b>	<b>361,842</b>

For details of the exceptional impairment see note 3.

## 10. Inventories

	As at 30 Jun 2009 £'000	As at 30 Jun 2008 £'000	As at 31 Dec 2008 £'000
Assets held for sale	7,138	1,161	1,230
Spares	2,799	2,354	2,700
Consumables	216	233	502
New machines for resale	457	1,586	728
	10,610	5,334	5,160

## 11. Capital commitments

	As at 30 Jun 2009 £'000	As at 30 Jun 2008 £'000	As at 31 Dec 2008 £'000
Capital expenditure that has been contracted for by the Group but has not yet been provided for in the financial information at the balance sheet date	1,035	14,099	2,440

## 12. Contingent liabilities

The Group has no material contingent liabilities as at 30 June 2009.

## 13. Seasonality of interim operations

The Group's financial results and cash flows have, historically, been subject to seasonal trends between the first and second half of the financial year. Traditionally, the second half of the financial year sees higher revenue and profitability as a result of there being an increased number of working days and higher customer demand in the Group's countries of operation.

There is no assurance that this trend will continue.

## 13. Principal risks and uncertainties

The principal risks and uncertainties for the Group have not materially changed from those set out in the Operating and Financial Review included in the 2008 Annual Report.

These are summarised as: Competition; Reduction in demand by customers; Retention of senior management; Access to capital/additional finance; Currency fluctuations; Legal proceedings; and Environment and safety laws and regulations.

## 15. Post balance sheet events

On 6 August 2009 Lavendon Group plc acquired out of administration the trade and certain assets of EPL Access Limited. The consideration paid was £1.3m satisfied in cash. In addition total debt liabilities of £2.8m were assumed.

## 16. Related party transactions

There have been no material related party transactions between the Group and its related parties.

17. A copy of this interim report is being sent to all shareholders and are available from the Company's registered office at 15 Midland Court, Central Park, Lutterworth, Leicestershire, LE17 4PN.

## **Independent review report to Lavendon Group plc**

### **Introduction**

We have been engaged by the company to review the condensed consolidated interim financial information in the interim report for the six months ended 30 June 2009, which comprises the group income statement, group statement of comprehensive income, group balance sheet, statement of changes in equity, group statement of cash flows, analysis of changes in net borrowings and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

### **Directors' responsibilities**

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this interim report has 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 information in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **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 enquiries, 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 information in the interim report for the six months ended 30 June 2009 is 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 Services Authority.

### **PricewaterhouseCoopers LLP**

Chartered Accountants  
Birmingham  
28 August 2009

### **Notes:**

a) The maintenance and integrity of the Lavendon Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the

auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.