

4th March 2009

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

Preliminary Results for the twelve months ended 31st December 2008

Lavendon Group plc, Europe's market leader in the rental of powered access equipment, today announces its Preliminary Results for the twelve months ended 31st December 2008.

Financial highlights

- Good performance in line with Board expectations:
 - Revenues £248.4m (2007: £186.0m), increase of 34%
 - EBITDA £97.3m* (2007: £64.1m), increase of 52%
 - Operating profit £46.4m* (2007: £30.5mm), increase of 52%
 - Operating profit margin 18.7%* (2007: 16.4%)
 - Profit before tax £30.4m* (2007: £23.2mm), increase of 31%
 - Earnings per share 53.89p* (2007: 46.41p), increase of 16%

* Figures for 2008 and 2007 are prior to amortisation charges and exceptional costs

- Strengthened cash flows during the year; continues to be extremely cash generative:
 - Cash generated from operations £57.1m (2007: £48.6m), increase of 17%
 - Debt at year end £305.0m after reflecting a £42m adverse currency movement in Euro denominated debt (2007: £185.7m)
 - Board comfortable with debt, which is well supported by cash flows and the Group remains fully bank covenant compliant
- Final dividend reduced to 1.67 pence per share (2007: 6.25 pence), reducing potential cash outflow - Board seeking to conserve cash and reduce debt levels

Operational highlights

- The clear UK market leader in the rental of powered access equipment:
 - The Platform Company successfully integrated with Nationwide Access to form Nationwide Platforms and regional businesses successfully integrated under the Panther brand
 - Increased scale enabling Group to drive large, single-sourced arrangements with major customers
- Diverse geographical spread of profit and cash flows makes Group more resilient:
 - 52% of operating profits and EBITDA now derived from outside the UK
 - Further integration across the business in the UK, Germany, Belgium, France and Spain has delivered larger scale depots and increased operational efficiencies.
 - Middle East operations continue to deliver strong results and is small yet exciting growth opportunity
- Opportunity to continue to defer capex without reducing commercial competitiveness
- David Hollywood to succeed John Gordon as Chairman

Current trading

- Trading continues to be in line with expectations, which reflect declining economic conditions and the mitigation provided by scale and increased efficiencies
- Focus in 2009 to use free cash flows to reduce borrowings and increase Group cost efficiency

John Gordon, Chairman of Lavendon Group plc said:

“The Board was pleased that the Group performed in line with its expectations and grew revenues, profits and earnings per share. This was a good result despite the challenging economic environment.

“During the year the Group focused on strengthening market positions and integrating the acquisitions to streamline its operations, which has made a more efficient business with increased scale in each of our geographical markets. The strengthened cash flows in the year will continue to underpin the financial stability of the Group.

“Despite the progress made during the year, trading conditions in the UK and European operations became more challenging, particularly in the final quarter of 2008. Although we have developed a more diverse geographical spread of profit and cash flows, the current market conditions in these markets makes future demand patterns extremely difficult to predict. The Middle East still presents a small, yet exciting growth opportunity for the Group.

“The Board remains cautious about the outlook for the Group. The Board will continue to work to offset the impact of the challenging market conditions by reducing capital investment, focusing on making the operations more cost efficient and generating free cash flow to reduce debt levels.

“I will be stepping down at the AGM and have thoroughly enjoyed working with the Board over the last 13 years, and wish it all the best for the future.”

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

Jonathon Brill/Billy Clegg/Caroline Stewart

T: +44(0)207 831 3113

CHAIRMAN'S STATEMENT

The Group has delivered a good performance in 2008 in line with our expectations, with revenues, profits and earnings per share all increasing, despite a widespread deterioration in the economic environment.

This increase has been driven by the Group's strategic focus on developing its operational scale, both in the UK and overseas, through organic investment and acquisition. The efficiencies that have been derived from this greater scale were enhanced during the year by the merger of a number of operating units and the realisation of significant synergy savings. These operational benefits, together with the Group's improved geographic spread of profits and cash flows (52% of operating profits and EBITDA are now derived from outside the UK, compared to 4% and 30% respectively in 2006) have enabled operating margins to improve.

The Group's operating cash flows have also strengthened during the year, underpinning the financial stability of the Group and providing increased comfort for the more difficult market conditions that undoubtedly lie ahead. These cash flows, as with the Group's revenues and profits, have been favourably impacted by the strengthening of the Euro and US\$-pegged currencies during the year although, at the same time, the sharp appreciation of the Euro in the last quarter has increased the Group's reported level of borrowings, in Sterling, over that expected from the investments made in the year. Despite the fluctuation in foreign exchange rates, net debt levels are fully serviceable by the underlying cash flows, and the Group remains fully compliant with its bank covenants.

Financial Results

Revenues increased by 34% to £248.4 million (2007: £186.0 million), reflecting both organic and acquisition-led growth as well as movements in exchange rates. Using consistent exchange rates with 2007, revenues increased by 26% to £233.9 million. Operating profits prior to amortisation of intangible assets and exceptional costs increased by 52% to £46.4 million (2007: £30.5 million), with margins improving to 18.7% from 16.4% in the prior year. At consistent exchange rates, operating profits prior to amortisation and exceptional costs increased by 47% to £44.8 million. Operating profits after amortisation and exceptional costs were £38.5 million (2007: £26.2 million).

Exceptional costs of £3.6 million (2007: £2.5 million) were incurred during the year, and relate to the integration costs arising from the merger of the Group's UK businesses into two operating units, and from the integration and restructuring of the Group's French, German and Spanish operations.

Whilst net interest costs increased to £16.0 million (2007: £7.2 million), following the investment programme undertaken in the last 18 months, the Group's increased trading performance enabled the Group's profit before tax, amortisation charges and exceptional costs to increase by 31% to £30.4 million (2007: £23.2 million). There is no material difference to the Group's profit before tax if consistent exchange rates with 2007 are used, as movements in interest costs broadly match the movement in operating profits. Profit before tax after amortisation charges and exceptional costs increased to £22.5 million (2007: £18.9 million).

With an effective tax rate of 23% (2007: 21%), the Group's profit after tax increased to £17.4 million (2007: £15.1 million). Following a 9% increase in the average number of shares in issue, the Group's earnings per share, prior to amortisation charges and exceptional costs, increased by 16% to 53.89 pence (2007: 46.41 pence). Earnings per share after amortisation charges and exceptional costs increased to 38.09 pence (2007: 36.10 pence).

The strength of the Group's cash flows is illustrated by the growth in EBITDA (earnings before interest, tax, depreciation and amortisation) which, prior to exceptional costs, increased by 52% during the year to £97.3 million (2007: £64.1 million), with margins increasing to 39% (2007: 34%). Net cash generated from operations, after movements in working capital and payments of interest and tax, increased by 17% to £57.1 million (2007: £48.6 million).

A total of £105.4 million was invested during the year, in the acquisition of The Platform Company (Holdings) Limited and in the maintenance and expansion of the Group's existing asset base. This investment, together with the significant foreign exchange movement of £42.4 million arising on the conversion of €220.6 million of Euro denominated borrowings into Sterling at the year-end, increased the Group's borrowings at the year-end to £305.0 million (2007: £185.7 million). The corresponding net debt to equity ratio was 206% (2007: 156%), with a net debt to pre-exceptional EBITDA ratio of 3.13 times. Calculating the debt to EBITDA ratio in accordance with our new banking arrangements (assuming 12 months EBITDA contribution from The Platform Company and using consistent currency conversion rates), reduces the ratio to 2.65 times, well within the Group's covenant level of 3.00 times.

Dividend

The Board believes that preserving cash and reducing debt levels are important measures of success in the current economic climate, and therefore the Group is proposing to pay a final dividend of 1.67 pence per share (2007: 6.25 pence), making a total dividend for the year of 5.00 pence (2007: 9.00 pence). The final dividend, if approved at the Company's Annual

General Meeting on 23 April 2009, will be paid on 6 May 2009 to shareholders on the register at the close of business on 13 March 2009.

Acquisition

In April 2008, the Group completed the acquisition of The Platform Company, for a total consideration of £46.5 million payable in a combination of cash and shares over a three-year period. This acquisition increased the scale of the Group's UK operations and provided considerable scope for cost synergies. Prior to the year-end, The Platform Company was successfully merged with Nationwide Access (the Group's largest UK business) to form Nationwide Platforms, the clear UK market leader in the rental of powered access equipment. Although this merger has already delivered around £3.0 million of cost synergies on an annualised basis, the full benefit of this integration, over and above the initial cost synergies, will be seen more clearly once the economic climate becomes more favourable and the improved operational leverage of the merged businesses can be demonstrated. In addition to the cost savings, the acquisition also enabled the combined 2008 capital expenditure programmes for the Group and that of The Platform Company to be reduced by a total of £50 million, thereby limiting the supply of new equipment into the market. In the short term, given current economic conditions, this lower level of equipment supply may prove to be a significant benefit of the transaction.

Board Changes

John Gordon's term as Chairman of the Board will come to an end at the Group's Annual General Meeting on 23 April 2009 and he will retire from the Board with effect from that date. John Gordon's successor will be David Hollywood, currently the Group's Chairman of the Audit Committee and a non-executive director.

Summary and Outlook

During 2008, the Group strengthened its market position in the UK through the acquisition of The Platform Company and successfully completed integration activities both in the UK and overseas, to deliver larger and more efficient operating units. Through this process the number of trading brands and IT systems across the Group reduced from sixteen to seven. These actions, alongside the development of a more diverse geographical spread of profit and cash flows, has provided the Group with a greater degree of resilience to changes in demand, although the current economic climate makes future demand patterns very difficult to predict.

During the final quarter of 2008, trading conditions across our UK and European operations became noticeably more difficult, and these trends have continued into the new year.

Consequently, until the economic outlook becomes clearer and the underlying drivers behind the use of powered access (safety, regulation, efficiency and convenience) are able to mitigate more fully the downward economic pressures, we will continue to concentrate on the areas that we can influence. Our operational plans for 2009 are focused on cash generation, reviewing and resizing our businesses where necessary to meet market realities, and at the same time making further improvements to our IT systems and operational processes. In particular, our capital expenditure programme for the year has been reduced by £30 million to a revised level of £20 million, with the commitment of this reduced investment plan reviewed on a regular basis. Our fleet age, together with our industry leading equipment maintenance programmes, mean that we have the capability to reduce our capital investment requirements for a considerable period of time, as we have done in the past, without materially impacting the revenue generation ability of the business.

Our financial strength is firmly underpinned by the Group's strong cash flows and ability to reduce debt levels through the control of investment; attributes which allow us to lower the risk profile of the Group through difficult trading periods, and enable the benefits of the Group's operational leverage to be magnified when economic conditions improve.

Our expectations for 2009 reflect the declining economic conditions that are mitigated by our increased scale and efficiency. Trading since the year-end has been in line with these expectations.

Review of Performance by Country

(Extracted from the Operating and Financial Review)

A summary of the revenues and operating profit by each business unit is given below:-

£' millions	Revenues		Operating Profit*	
	2007	2008	2007	2008
UK	105.9	131.4	17.9	21.6
Germany	48.5	52.8	5.9	7.9
France and Belgium	8.6	28.3	0.3	7.4
Spain	6.5	13.3	1.3	2.2
Middle East**	16.5	22.6	5.1	7.3
	186.0	248.4	30.5	46.4

* All figures shown in the above table are before amortisation charges and exceptional costs.

** Middle East includes the results of operations in Bahrain, Qatar, Saudi Arabia and United Arab Emirates.

We have structured the Group so that each country of operation is viewed as a separate reporting profit centre, supported by central Group service functions. Each operation has its own management team responsible for delivering agreed performance targets.

The performance of each operation is summarised below, with all financial figures being quoted before amortisation charges and exceptional costs.

UK

Whilst the UK increased its revenues and continues to be our largest market, its share of total Group revenues is reducing as the Group's overseas operations develop. The UK now represents 53% of total revenue compared to 57% last year and 65% in 2006.

Whilst the business has no direct exposure to house building, we experienced a slow down in demand as the second half of the year progressed, most noticeably in the commercial and industrial construction sectors and in particular during the final quarter of the year.

In April 2008, we further strengthened our market position in the UK with the acquisition of The Platform Company, which was merged towards the end of the year with our largest UK operation to form Nationwide Platforms – the clear market leader in the UK powered access rental market. At the same time, the process of merging our regional businesses (Panther, Kestrel, AMP and Higher Platforms) was completed under the Panther identity. These merger activities have enabled some £3.0 million of cost synergies to be extracted from the businesses, providing a degree of margin resilience in an environment of weaker demand. Following the mergers, the increased scale, coverage and management depth of the business has improved our ability to offer and support large, single-source arrangements with major customers, thereby enhancing our relative competitive position.

Overall UK revenues increased by 24% to £131.4 million (2007: £105.9 million), with like for like growth made difficult to estimate due to the merger of several operating units in the year. Operating profits* increased by 21% to £21.6 million (2007: £17.9 million) with margins broadly stable at 16.5%.

Germany

The outlook for the German economy in general has become more pessimistic in the last six months, although forecasts for the commercial, industrial and infrastructure construction sectors remain relatively resilient at this stage.

Our German businesses (Zoom and Gardemann) were merged together at the start of 2008, which whilst leading to some revenue disruption during the year, reduced the overall cost base by some €3.5 million. This integration has produced a more streamlined business, capable of generating improved margins and providing a stable platform from which it can develop and strengthen its market position. At the same time, the business has the operational structure, with the necessary management experience to adapt quickly to any changes in the economic climate.

Euro revenues for the year declined by 6%, but after adjusting for currency movements, revenues in sterling increased by 9% to £52.8 million (2007: £48.5 million). Operating profits* increased to £7.9 million (2007: £5.9 million), with operating margins improving to 15% (2007: 12%).

France and Belgium

The French and Belgian businesses, which operate as one business unit under common management, have made good progress in the year, against a slightly weakening market environment in the second half of the year.

The scale of the business was increased significantly following the acquisition of dk Rental in December 2007, and following a period of restructuring and integration work, this scale has turned a previously loss making operation for the Group into a high margin profitable business in 2008. The business now has a stable structure and management team, capable of being leveraged to further develop the business into the future.

Revenues for the year, following the acquisition of dk Rental increased more than three fold to £28.3 million (2007: £8.6 million). Operating profits* increased to £7.4 million (2007: £0.3 million), with margins improving to 26% (2007: 3%).

Spain

As widely reported, the Spanish economy, and in particular the construction sector, slowed significantly during the year with the rate of slowdown accelerating in the second half of the year. As a consequence, a number of companies, operating in the powered access market, are in financial distress following their major fleet acquisition programmes undertaken in recent years.

The scale of our business in Spain increased significantly in December 2007, following the acquisition of dk Rental's Spanish business. Following the merger of this business with our existing operation, we have responded to the change in economic climate by pursuing our

strategy of creating larger individual depots (we now operate from four locations, having exited Galicia in July 2008), and also removing surplus equipment from the business. These actions will lower our break-even point and to a degree protect our margins, and importantly provide greater positive operational leverage for when market demand recovers.

Revenues for the year increased to £13.3 million (2007: £6.5 million), and operating profits* increased to £2.2 million (2007: £1.3 million), with margins declining to 17% from 20% in the previous year.

Middle East

The outlook for longer-term projects in many parts of the region appears solid, although there are clear signs that the UAE market is entering a more challenging phase, particularly in Dubai where competition is increasing and demand levels softening. Our position elsewhere in the region was strengthened during the year, through fleet expansion, and we believe that it is these areas that offer the greatest scope for future development and profitable growth.

The business has continued to grow its fleet during the year, and now operates 1,400 rental units from a network of six depots, an increase of over 450 units since the start of the year. These additional units were mainly used machines and supplied either from the Group's European fleet or purchased from the secondary market. Where the machines were supplied from the Group's European fleet, all transportation and duty costs are charged against profits in the year the machines were transferred; a total of £1.2 million was expensed in 2008 (2007: £0.4 million).

Revenues for the year increased by 37% to £22.6 million (2007: £16.5 million), with underlying rental revenues (excluding the lower margin and less predictable revenues from new equipment sales) growing by 45% to £19.1 million (2007: £13.2 million). Operating profits*, after absorbing the transportation and duty costs of £1.2 million, increased to £7.3 million (2007: £5.1 million), with margins improving to 32% from 31% in the prior year.

Equipment Sales

The acquisition of dk Rental at the end of 2007 brought an established and skilled used equipment trading capability into the Group. We have developed this capability during the year and have raised the level of focus on disposal of older and surplus equipment as a way of both balancing our fleet and of realising additional cash. Across the Group some 1,500 units of used equipment (6.0% of the year-end fleet) were sold in the year, through a variety of channels, generating some £9.3 million in cash proceeds. Although market conditions for

used equipment sale are becoming more difficult, we continue to see this a key route for reducing fleet and generating cash during periods of tougher rental market conditions.

Future Developments

This is the fourth year in succession when we have been able to report solid financial progress, and whilst the results for 2008 represented a record level of achievement for the Group they were delivered against a backdrop of a worsening economic environment, which looks set to persist through 2009 and possibly well into 2010. Once this outlook became clear, our efforts during 2008 were focused on positioning the Group to weather the economic downturn in the best possible shape.

Our acquisition of The Platform Company in the UK at the start of April, and our subsequent cancelling of around £50 million of orders for new equipment, restricted the level of new equipment coming into the market, helping reduce the potential pricing pressure caused by further over-capacity. The subsequent integration of The Platform Company with Nationwide Access to form Nationwide Platforms, as well as the integration of our four regional businesses under the Panther banner, allowed us to lower our cost base in the UK by some £3.0 million.

We have significantly reduced our 2009 investment plans for the Group, anticipating spending a maximum of £20 million, compared to £105 million in 2008 (including the acquisition of The Platform Company). This reduction in our investment programme, combined with a focus on cost control and management of working capital should enable the business to generate significant free cash flow in the coming year.

The performance of the Middle East market, outside Dubai, remains solid and our leading market position will be again supported by the transfer of equipment from our European fleet during the coming year. However the reduced scale of this fleet increase will provide a reduction in the level of one-off transportation and duty costs, and therefore the strength of margins earned in the region will be underpinned. The healthy margins, together with strong local currencies, should enable the region to deliver another year of strong financial performance.

It is clear that the economic outlook is uncertain and the scale of any downturn unknown at this time. However, it is important that we concentrate on areas which we can impact, and consequently we will continue to review and reduce the cost base of the Group, and look to maximise our cash generation to reduce debt levels. By increasing cost efficiency and financially de-leveraging the business, the Group will be well positioned, once market conditions improve, to resume the strategic development of the business.

Consolidated income statement

For the year ended 31 December 2008

	2008	2007
	£'000	£'000
Revenue	248,370	186,000
Cost of sales	(139,966)	(99,403)
Gross profit	108,404	86,597
Operating expenses before exceptional expenses	(66,260)	(57,908)
Exceptional operating expenses	(3,599)	(2,508)
Total operating expenses	(69,859)	(60,416)
Operating profit	38,545	26,181
Interest receivable	254	323
Interest payable	(16,292)	(7,570)
Profit before taxation	22,507	18,934
Taxation on profit	(5,140)	(3,882)
Profit attributable to equity shareholders	17,367	15,052
Earnings per ordinary share		
- basic	38.09p	36.10p
- diluted	36.41p	35.58p

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

Consolidated balance sheet

As at 31 December 2008

	2008	2007
	£'000	£'000
Assets		
Non-current assets		
Goodwill	114,149	71,944
Intangible assets	14,723	9,967
Property, plant and equipment	363,072	274,893
	491,944	356,804
Current assets		
Inventories	3,930	3,576
Trade and other receivables	60,152	48,339
Financial assets – derivative financial instruments	-	216
Cash and cash equivalents	14,674	16,721
	78,756	68,852
Liabilities		
Current liabilities		
Financial liabilities - borrowings	(54,854)	(41,027)
Trade and other payables	(51,258)	(69,971)
Current tax liabilities	(9,999)	(8,371)
	(116,111)	(119,369)
Net current liabilities	(37,355)	(50,517)
Non-current liabilities		
Financial liabilities – borrowings	(264,772)	(161,420)
Financial liabilities – derivative financial instruments	(2,081)	-
Deferred tax liabilities	(32,518)	(25,472)
Other non-current liabilities	(7,448)	-
	(306,819)	(186,892)
Net assets	147,770	119,395
Shareholders' equity		
Ordinary shares	462	440
Share premium	101,961	95,347
Capital redemption reserve	4	4
Other reserves	4,829	(3,362)
Retained earnings	40,514	26,966
Total equity	147,770	119,395

Consolidated cash flow statement

For the year ended 31 December 2008

	2008	2007
	£'000	£'000
Cash flows from operating activities:		
Profit attributable to equity shareholders	17,367	15,052
Taxation charge	5,140	3,882
Net interest expense	16,038	7,247
Amortisation and depreciation	55,114	35,436
Gain on sale of property, plant and equipment	(1,887)	(1,087)
Other non-cash movements	745	511
Net increase in working capital	(14,410)	(2,538)
Cash generated from operations	78,107	58,503
Net interest paid	(13,503)	(7,020)
Taxation paid	(7,473)	(2,837)
Net cash generated from operating activities	57,131	48,646
Cash flows from investing activities:		
Acquisition of subsidiaries (net of cash acquired)	(28,742)	(47,554)
Proceeds from sale of property, plant and equipment	11,397	7,014
Purchase of property, plant and equipment, and software	(16,193)	(21,663)
Net cash used by investing activities	(33,538)	(62,203)
Cash flows from financing activities:		
Drawdown of loans	183,870	71,531
Repayment of loans	(159,765)	(29,228)
Repayment of principal under hire purchase agreements	(38,383)	(20,445)
Settlement of loan notes	(5,068)	(1,000)
Repayment of guaranteed debt	(3,959)	-
Equity dividends paid	(4,288)	(2,395)
Proceeds from ordinary shares issued	136	930
Net cash (used by)/generated from financing activities	(27,457)	19,393
Net (decrease)/increase in cash and cash equivalents before exchange differences	(3,864)	5,836
Effects of exchange rates	1,817	536
Net (decrease)/increase in cash and cash equivalents after exchange differences	(2,047)	6,372
Cash and cash equivalents at start of period	16,721	10,349
Cash and cash equivalents at end of period	14,674	16,721

Shareholders' funds and statement of changes in equity

For the year ended 31 December 2008

	Ordinary shares £'000	Share premium £'000	Shares to be issued £'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 year	–	–	–	–	–	–	–	17,367	17,367
Share based payments	–	–	–	–	–	–	–	745	745
Taxation movement on share based payments	–	–	–	–	–	–	–	(276)	(276)
Cash flow hedges – fair value losses in the year	–	–	–	–	–	(2,297)	–	–	(2,297)
Deferred tax on cash flow hedges	–	–	–	–	–	643	–	–	643
Shares issued	22	6,614	–	–	–	–	–	–	6,636
Dividends paid in the year	–	–	–	–	–	–	–	(4,288)	(4,288)
Currency translation differences	–	–	–	–	27,061	–	(17,216)	–	9,845
Balance at 31 December 2008	462	101,961	–	4	25,533	(1,453)	(19,251)	40,514	147,770

For the year ended 31 December 2007

	Ordinary shares £'000	Share premium £'000	Shares to be issued £'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 2007	407	79,787	1,688	4	(4,075)	323	3,338	12,776	94,248
Profit for the year	–	–	–	–	–	–	–	15,052	15,052
Share based payments	–	–	–	–	–	–	–	511	511
Taxation movement on share based payments	–	–	–	–	–	–	–	1,022	1,022
Cash flow hedges – fair value losses in the year	–	–	–	–	–	(107)	–	–	(107)
Deferred tax on cash flow hedges	–	–	–	–	–	(15)	–	–	(15)
Shares issued	27	13,878	–	–	–	–	–	–	13,905
Shares to be issued (i)	6	1,682	(1,688)	–	–	–	–	–	–
Dividends paid in the year	–	–	–	–	–	–	–	(2,395)	(2,395)
Currency translation differences	–	–	–	–	2,547	–	(5,373)	–	(2,826)
Balance at 31 December 2007	440	95,347	–	4	(1,528)	201	(2,035)	26,966	119,395

Note:

(i) Shares to be issued reflect the fair value of the 630,322 shares issued on 28 February 2007 as part consideration for the acquisition of Gardemann Arbeitsbuhnen GmbH in December 2006.

Notes

1. Reconciliation of net cash flow movement to movement in net debt

	2008	2007
	£'000	£'000
Net increase in cash	(2,047)	6,372
Decrease/(increase) in debt	18,237	(21,858)
Change in net debt resulting from cash flows	16,190	(15,486)
Non-cash items:		
Unsecured loan notes reclassified and issue of guaranteed deferred consideration	(4,060)	(2,909)
Debt acquired with subsidiary businesses	(33,791)	(38,690)
New hire purchase and finance lease agreements	(53,361)	(22,245)
Currency translation differences on net debt	(44,204)	(7,422)
Movement in net debt in the period	(119,226)	(86,752)
Net debt at 1 January	(185,726)	(98,974)
Net debt at 31 December	(304,952)	(185,726)

2. Primary segmental analysis – geographical segments

Year ended 31 December 2008

	UK £'000	Germany £'000	Belgium & France £'000	Spain £'000	Middle East £'000	Group £'000
Revenue	131,355	52,797	28,344	13,312	22,562	248,370
Operating profit before exceptional expenses	20,135	7,479	5,602	1,664	7,264	42,144
Exceptional operating expenses	(2,358)	(740)	(237)	(264)	-	(3,599)
Operating profit	17,777	6,739	5,365	1,400	7,264	38,545
Interest receivable						254
Interest payable						(16,292)
Profit before taxation						22,507
Taxation on profit						(5,140)
Profit attributable to equity shareholders						17,367
Total assets	358,956	83,934	67,590	47,837	12,383	570,700
Total liabilities	(336,826)	(28,546)	(31,487)	(22,306)	(3,765)	(422,930)
Net assets	22,130	55,388	36,103	25,531	8,618	147,770
Goodwill recognised on acquisition	23,415	-	-	-	-	23,415
Capital expenditure	23,629	13,839	7,171	4,593	9,723	58,955
Depreciation	24,936	10,718	6,670	3,662	4,850	50,836
Amortisation of intangible assets	1,456	455	1,802	560	5	4,278

Notes:

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 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. Primary segmental analysis – geographical segments continued

Year ended 31 December 2007

	UK £'000	Germany £'000	Belgium & France £'000	Spain £'000	Middle East £'000	Group £'000
Revenue	105,894	48,508	8,606	6,476	16,516	186,000
Operating profit before exceptional expenses	17,115	5,130	126	1,217	5,101	28,689
Exceptional operating expenses	(300)	(2,208)	-	-	-	(2,508)
Operating profit	16,815	2,922	126	1,217	5,101	26,181
Interest receivable						323
Interest payable						(7,570)
Profit before taxation						18,934
Taxation on profit						(3,882)
Profit attributable to equity shareholders						15,052
Total assets	205,232	90,369	81,446	43,147	5,462	425,656
Total liabilities	(222,715)	(34,558)	(29,711)	(17,865)	(1,412)	(306,261)
Net (liabilities)/assets	(17,483)	55,811	51,735	25,282	4,050	119,395
Goodwill recognised on acquisition	5,672	-	25,008	8,344	-	39,024
Capital expenditure	27,287	12,641	461	3,061	6,505	49,955
Depreciation	17,498	9,483	2,084	1,486	3,090	33,641
Amortisation of intangible assets	817	726	164	87	1	1,795

Notes:

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 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. Acquisition of subsidiary company

The Platform Company (Holdings) Limited (“The Platform Company”)

On 1 April 2008, the Group acquired 100% of the share capital of The Platform Company (Holdings) Limited for a total consideration of £46.5 million.

The consideration paid on completion was £19.1 million in cash plus 1,999,972 new ordinary shares of 1 pence per share in Lavendon Group plc. The issue of shares represents a consideration of £6.5 million, being calculated using Lavendon’s closing share price on 31 March 2008 of 325.0 pence per share.

Additional consideration of £8.3 million is payable on the first anniversary, which will be partly funded by the issue of 885,000 shares to the vendors on 1 April 2009. A further payment of £7.8 million is payable on the second anniversary of the acquisition, which will be partly funded by a further issue of 885,000 shares to the vendors. On the third anniversary of the acquisition, a cash payment of £4.1 million will be paid to the vendors. After the impact of discounting, the total deferred consideration is £19.3 million.

The effective date of the acquisition was 1 April 2008. Accordingly only nine calendar months of trading have been recorded in the current period results.

3. Acquisition of subsidiary company continued

Details of the acquisition are provided below:

	£'000
Cost of investment	
Cash paid on acquisition	19,087
Shares issued at acquisition	6,500
Deferred consideration (to be satisfied in cash and shares)	19,279
Acquisition costs	1,603
Total cost	46,469
Provisional fair value of assets and liabilities acquired	
Non-current assets	
– intangible assets	18
– property, plant and equipment	54,909
Current assets	
– inventories	121
– trade and other receivables	9,374
– cash and cash equivalents	2,083
Current liabilities	
– financial liabilities – borrowings	(11,597)
– trade and other payables	(6,683)
– current tax liabilities	(1,289)
Non-current liabilities	
– financial liabilities – borrowings	(22,194)
– deferred tax liabilities	(7,485)
Provisional fair value of net assets acquired	17,257
Goodwill and intangible assets	29,212
Split as follows:	
Goodwill	23,117
Intangible assets	
Brand name	1,000
Customer relationships	5,095
Total intangibles assets recognised at acquisition	6,095

3. Acquisition of subsidiary companies continued

The fair value adjustments recorded in arriving at the fair value of assets and liabilities above were as follows:

	£'000
Adjustment to property, plant and equipment to provisional fair value	6,741
Deferred tax on fair value adjustments and intangible assets	(3,594)
Revenue generated for the group since acquisition to 31 October 2008	23,266
Profit before tax generated for the group since acquisition to 31 October 2008	4,474

The revenue and profit before tax stated are up to 31 October 2008. On 1 November 2008 The Platform Company merged with Nationwide Access to form Nationwide Platforms. Consequently the results from 1 November 2008 to 31 December 2008 cannot be separately identified.

Had the acquisition taken place on 1 January 2008 then reported revenues and profit before tax would be as follows:

	£'000
Revenue	32,887
Profit before tax	5,761

The goodwill above is attributable to the workforce of the acquired business and the significant synergies expected to arise after its acquisition by the Group.

Reconciliation of costs at acquisition to cash flow movement

	£'000
Acquisition costs of The Platform Company	46,469
Less:	
Shares issued at acquisition	(6,500)
Deferred consideration	(19,279)
Cash acquired with acquisition	(2,083)
	18,607
From previous acquisitions:	
Payment of prior years acquisition costs	1,573
Deferred consideration paid in the period	8,562
Cash outflow flow for the period	28,742

4. Accounting policies

The consolidated accounts of the Group are prepared under the historical cost convention and in accordance with those parts of the Companies Act 1985 that are applicable to listed public companies, and applicable EU endorsed International Financial Reporting Standards.

5. Earnings per share

	2008			2007		
	Profit	Weighted average number of shares	Per share amount	Profit	Weighted average number of shares	Per share amount
	£'000	(in millions)	pence	£'000	(in millions)	pence
Basic earnings per share						
Profit attributable to equity shareholders	17,367	45.6	38.09	15,052	41.7	36.10
Effect of dilutive securities						
Deferred shares		1.8			–	
Options		0.3			0.6	
Diluted earnings per share	17,367	47.7	36.41	15,052	42.3	35.58
Earnings per share before exceptional expenses						
Basic	20,294	45.6	44.50	17,560	41.7	42.11
Diluted	20,294	47.7	42.55	17,560	42.3	41.51
Earnings per share before amortisation charges and exceptional expenses						
Basic	24,572	45.6	53.89	19,355	41.7	46.41
Diluted	24,572	47.7	51.51	19,355	42.3	45.76

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume issue of all potential dilutive ordinary shares, based on the average market price of the Company's shares of £2.61 (2007: £5.50). The effect of this dilution is to increase the weighted average number of ordinary shares to 47,676,009 (2007: 42,275,437).

Earnings per share before exceptional expenses is presented to exclude the impact of exceptional expenses incurred in the year. The effect of current taxation of £672,000 (2007: nil) has been included in respect of these exceptional expenses, where it is expected to arise.

Earnings per share before amortisation charges and exceptional expenses is presented to exclude the impact of amortisation charges and exceptional expenses incurred in the year. The effect of current taxation of £672,000 (2007: nil) has been included in respect of both amortisation charges and exceptional expenses, where it is expected to arise.

The Directors believe that the EPS before exceptional expenses and the EPS before amortisation charges and exceptional expenses provide additional relevant information about the underlying business performance.

6. Dividends

	2008 £'000	2007 £'000
Final dividend paid in respect of 2007 of 6.25p per 1p ordinary share (2006: 3.00p)	2,749	1,238
Interim dividend paid in respect of 2008 of 3.33p per 1p ordinary share (2007: 2.75p)	1,539	1,157
	<u>4,288</u>	<u>2,395</u>

The directors are proposing a final dividend in respect of the financial year ended 31 December 2008 of 1.67 pence per ordinary share which will distribute an estimated £772,000 of shareholders' funds. It will be paid on 6 May 2009 to those shareholders who are on the register at 13 March 2009, subject to approval at the annual general meeting.

7. Operating expenses

	2008 £'000	2007 £'000
Selling and distribution costs	24,746	19,157
Administrative expenses	41,514	38,751
Operating expenses before exceptional expenses	66,260	57,908
Exceptional operating expenses	3,599	2,508
Total operating expenses	<u>69,859</u>	<u>60,416</u>

In 2008, exceptional expenses related to the integration costs incurred merging the Nationwide Access and The Platform Company operations in the UK, costs of merging the Group's German operations, and the integration of the dk Rental and Zoom operations in France and Spain.

In 2007, exceptional expenses related to the integration costs incurred merging the Nationwide Access and Wizard Workspace Limited operations in the UK, and the costs of merging the Group's German operations.

For 2007 and 2008 the exceptional operating expenses all relate to employee termination costs, property closure costs together with associated professional fees and rebranding costs. They are all administrative expenses resulting in total administrative expenses of £45,113,000 (2007: £41,259,000).

8. Taxation

Analysis of charge for the year:

	2008	2007
	£'000	£'000
Corporation taxation:		
– current year	6,794	2,733
– adjustment in respect of prior years	390	3,340
	7,184	6,073
Deferred taxation	(2,106)	(2,191)
Taxation movement on share based payments	62	–
Taxation	5,140	3,882

In addition to the amount charged to the income statement, tax of £276,000 (2007: £1,022,000) in respect of share based payments was credited directly to reserves. This represents the reduction of a deferred tax asset which is in excess of the charge to the income statement for share based payments.

No provision has been made in the financial statements for any tax liability which may arise upon future distributions of profit to the United Kingdom from overseas subsidiaries.

Reconciliation of taxation

The tax for the year is lower (2007: lower) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%).

The differences are explained below:

	2008	2007
	£'000	£'000
Profit before taxation	22,507	18,934
Profit at standard rate of corporation taxation in the UK: 28.5% (2007: 30%)	6,414	5,680
Adjustments to tax in respect of prior years	(371)	3,957
Effect of overseas tax rates	(840)	(822)
Expenses not deductible for tax purposes	433	104
Additional tax losses recognised	(1,684)	(3,472)
Effect on deferred tax due to the tax rate change in the UK and Germany	(35)	(1,543)
Tax losses not recognised	1,223	(22)
	5,140	3,882

9. Intangible assets

	Non-current intangible assets				
	Goodwill £'000	Other intangibles recognised on acquisitions £'000	Computer software £'000	Trademarks £'000	Total other intangibles £'000
Cost					
At 1 January 2008	71,944	10,740	3,183	200	14,123
Exchange movements	18,790	3,102	444	-	3,546
Recognised on acquisition	23,415	6,095	18	-	6,113
Additions	-	-	537	-	537
At 31 December 2008	114,149	19,937	4,182	200	24,319
Amortisation					
At 1 January 2008	-	1,356	2,600	200	4,156
Exchange movements	-	747	415	-	1,162
Charge for the year	-	3,897	381	-	4,278
At 31 December 2008	-	6,000	3,396	200	9,596
Net book amount					
At 31 December 2008	114,149	13,937	786	-	14,723

Goodwill recognised on acquisition is a combination of that arising on acquisitions during the year, together with additional goodwill of £298,000 arising from increased deferred payments for acquisitions completed in prior years.

	Non-current intangible assets				
	Goodwill £'000	Other intangibles recognised on acquisition £'000	Computer software £'000	Trademarks £'000	Total other intangibles £'000
Cost					
At 1 January 2007	32,920	2,643	2,895	200	5,738
Exchange movements	-	-	29	-	29
Recognised on acquisition	39,024	8,097	35	-	8,132
Additions	-	-	224	-	224
At 31 December 2007	71,944	10,740	3,183	200	14,123
Amortisation					
At 1 January 2007	-	166	2,012	161	2,339
Exchange movements	-	-	22	-	22
Charge for the year	-	1,190	566	39	1,795
At 31 December 2007	-	1,356	2,600	200	4,156
Net book amount					
At 31 December 2007	71,944	9,384	583	-	9,967

10. Tangible fixed assets

	Short leasehold properties £'000	Rental fleet £'000	Motor vehicles £'000	Office fixtures and equipment £'000	Total £'000
Cost					
At 1 January 2008	1,290	415,384	3,623	9,324	429,621
Exchange movements	-	50,169	529	1,285	51,983
Recognised on acquisition	-	54,428	7	474	54,909
Additions	92	55,590	1,662	1,074	58,418
Disposals	-	(31,136)	(3,186)	(85)	(34,407)
At 31 December 2008	1,382	544,435	2,635	12,072	560,524
Depreciation					
At 1 January 2008	748	147,023	1,488	5,469	154,728
Exchange movements	-	15,815	158	812	16,785
Charge for the year	42	48,015	1,250	1,529	50,836
Disposals	-	(22,865)	(1,972)	(60)	(24,897)
At 31 December 2008	790	187,988	924	7,750	197,452
Net book value					
At 31 December 2008	592	356,447	1,711	4,322	363,072

	Short leasehold properties £'000	Rental fleet £'000	Motor vehicles £'000	Office fixtures and equipment £'000	Total £'000
Cost					
At 1 January 2007	748	314,732	3,733	6,164	325,377
Exchange movements	-	13,160	108	397	13,665
Recognised on acquisition	-	65,665	945	901	67,511
Additions	542	46,872	342	1,975	49,731
Disposals	-	(25,045)	(1,505)	(113)	(26,663)
At 31 December 2007	1,290	415,384	3,623	9,324	429,621
Depreciation					
At 1 January 2007	748	130,906	2,158	4,463	138,275
Exchange movements	-	3,279	29	259	3,567
Charge for the year	-	31,961	786	894	33,641
Disposals	-	(19,123)	(1,485)	(147)	(20,755)
At 31 December 2007	748	147,023	1,488	5,469	154,728
Net book value					
At 31 December 2007	542	268,361	2,135	3,855	274,893

11. The financial information set out in this announcement does not constitute the Group statutory accounts for the year ended 31 December 2008 or 31 December 2007. The figures contained herein have been extracted from the Group's Annual Report 2008, including the audited consolidated Company financial statements for the year ended 31 December 2008, which will be delivered to the Registrar of Companies. The Annual Report 2007 for the year ended 31 December 2007 has been delivered to the Registrar of Companies. The auditors' reports on both these sets of financial statements were unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act.

12. The Annual General Meeting of Lavendon Group plc will be held at Financial Dynamics, 26 Southampton Buildings, London, EC2A 1PB on 23 April 2008 at 11:30am.