

Interim Results for the Six Months ended 30 June 2006

Lavendon Group is Europe's market leader in the rental of powered access equipment. Powered access provides a high degree of flexibility, thereby reducing labour costs and saving both time and money. The equipment is quick, safe, convenient and highly manoeuvrable. Consequently, it is now used to provide temporary aerial access in a variety of applications and is fast becoming industry's favoured option when compared to traditional access methods such as scaffolding, ladders and aluminium towers. It is also ideal for a wide range of other applications including industrial and building maintenance, construction, sign erection, outside broadcasting, telecommunications, tree surgery and highway maintenance.

Highlights

- Results ahead of market expectations
- Three strategic acquisitions made with immediate financial benefits
- Revenues increased 19% to £57.1m (2005: £47.9m)
- Operating profits increased three-fold to £3.3m (2005: £1.1m)
- Profit before tax of £1.1m (2005: loss of £1.3m)
- Strong cash generation
- Interim dividend to be declared of 1.50p
- Positive outlook for the remainder of the year

Outlook

Kevin Appleton, Chief Executive, said today:

"The Group's trading performance for the first half has seen a continuation of the improving trend established last year. Our acquisitions of Panther, Kestrel and A.M.P are improving the Group's ability to service the regional markets in the UK, and this, when combined with the organic growth from our existing businesses, has led to a very good first half performance.

Trading since the half year end has continued strongly and we believe there remains considerable scope for further improvement in the business performance."

For further information please contact:

Lavendon Group plc
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CHAIRMAN'S STATEMENT

Financial Overview

The Group's trading performance for the six months ended 30 June 2006 has shown good progress over 2005. Revenues for the Group increased by 19% to £57.1 million (2005: £47.9 million), through a combination of organic growth and the acquisitions completed during the period. This growth in revenues, together with enhanced margins, enabled operating profits to improve three-fold to £3.3 million (2005: £1.1 million).

Interest charges for the Group reduced to £2.2 million (2005: £2.5 million), following the significant reduction in debt levels during 2005. This reduction in interest costs, together with the increase in operating profits, produced a profit before tax for the period of £1.1 million, an improvement of £2.4 million over 2005. Earnings per share for the six months to 30 June 2006 were 1.65p (2005: loss of 1.99p).

Earnings before interest, tax, depreciation and amortisation increased by 25% to £15.7 million (2005: £12.5 million), with net cash generated from operating activities increasing by 30% to £10.2 million (2005: £7.9 million).

During the first half of the year, the Group invested a total of £44.5 million (2005: £2.3 million) in acquiring three rental businesses in the UK and in the maintenance and expansion of its existing asset base. The acquisitions of Panther Work Platforms Limited, Kestrel Powered Access Limited and A.M.P. Access Limited were made for an aggregate consideration of £19.3 million, of which £12.4 million had been paid as at 30 June 2006. The balance of the investment – some £25.2 million of which £18.2 million had been settled by 30 June 2006 – was made in the Group's existing operations, focusing upon the replacement of retired rental units, settlement of leasing commitments and selective purchases of high demand products. This investment activity has increased the Group's net debt levels at the half year to £90.6 million (2005: £73.4 million), with a corresponding debt to equity ratio of 115% (2005: 98%) and a debt to rolling 12 month EBITDA multiple of 2.75. Whilst net debt levels have increased, they are at a comfortable level and are well supported by strong operational cash flows. These robust cash flows, together with access to significant unutilised bank and credit facilities, provide the necessary financial resource to fund the investments made in the first six months and support the planned expansion programme for the remainder of the year.

Dividend

Following the resumption of dividends with the recent payment of a final dividend for 2005, and in light of the continuing improvements in the Group's trading performance, the directors are declaring an interim dividend of 1.50p (2005: nil). This will be paid on 6 November 2006 to shareholders on the register at close of business on 15 September 2006.

Business Review.

UK

Whilst market conditions have, in the main, continued to be broadly favourable, they have remained very competitive during the first six months of the year, limiting the scope to improve hire rates, particularly in the construction sector.

Our approach during this period has been to continue to concentrate on those sectors where our range of equipment and distribution capability provides a competitive edge, and at the same time, through the recent acquisitions of Panther Work Platforms Limited, Kestrel Powered Access Limited and, more recently, A.M.P. Access Limited, extend our regional and sector coverage.

By encouraging cross-hire between our new and existing companies, utilisation levels have improved, enabling revenue growth to be above market levels. We will continue to pursue a twin-track growth strategy of a flexible local market presence and a large-scale integrated, high quality national network.

Revenues for the first six months increased by 27% to £37.2 million (2005: £29.3 million), with around 2% of this growth coming from existing operations and the balance from the effect of the acquisitions. Operating profits increased by 46% to £4.7 million (2005: £3.2 million), with the acquisitions delivering £1.2 million of this profit growth. Operating margins improved to 13% from 11% last year, with both existing and, in particular, the acquired businesses contributing to this improvement.

Germany

We are starting to see signs that the extended period of declining demand in the German powered access industry is finally coming to an end, as activity levels begin to recover and the demand and supply imbalance undergoes a process of correction. However, at this stage, hire rates continue to disappoint and a more sustained period of improving demand and utilisation across the market will be required before there is any substantial change in this respect.

Following the restructuring of the business at the end of 2004 and the beginning of 2005, the business has maintained tight control over costs and improved service consistency levels. This improvement in operating efficiency has been supplemented, in recent months, by year on year revenue growth, enabling the business to reduce its operating losses. Although monthly revenues have now returned to year on year growth, the turnover for the first half overall shows a decline of 3% to £9.8 million (2005: £10.1 million), but, with operating losses reducing by 16% to £2.1 million (2005: £2.5 million), we believe that this performance provides a solid base for further improvement in the second half of the year.

France

The French market has continued to recover, albeit at a slower pace than envisaged six months ago. This recovery, together with the expansion of our fleet in 2005, has enabled the business to increase its revenues for the first half of the year by 10% to £3.4 million (2005: £3.1 million), with operating losses reducing to £0.5 million (2005: £0.6 million).

Spain

In Spain, we are benefiting significantly from re-focusing the business into two main operating centres, where relatively robust local markets and good operational economies of scale are available. Through careful management and selective hire rate increases, revenues have increased by 11% to £2.0 million (2005: £1.8 million), producing an operating profit of £0.1 million compared to the operating loss of £0.1 million recorded in the previous year. Further progress should be made in the second half of the year.

Middle East

Demand levels remain strong in the region and have led to a further 100 machines being transferred to the region since the start of the year. Revenues for the first six months have grown by 27% to £4.7 million (2005: £3.7 million), with operating profits increasing to £1.2 million (2005: £1.1 million). Operating profit improvements are currently being suppressed, as transport, clearance and handling charges associated with the recent fleet increases are incurred and expensed directly to the income statement. The impact of these charges is only temporary as the region's fleet expands to meet demand.

Further increases in the fleet are planned for the second half of the year to support expected increases in activity levels across the region for the balance of 2006 and beyond. Whilst these fleet transfers will impact the profitability of the region in the immediate future, they are essential if the Group is to maximise the potential of the opportunity that the region presents.

Board Changes

As previously announced, John Heywood retired from the Board as a non-executive director on 28 April 2006. On the same date, the Board welcomed David Hollywood as a non-executive director. David became a member of both the Audit Committee and the Remuneration & Nomination Committee upon his appointment.

Summary

The financial performance of the Group continues its improving trend, established in 2005, with revenues increasing and operating margins growing. The pace and scale of the improvement is being enhanced by the success of the businesses that were acquired during the first half of the year, and which have produced immediate financial benefits for the Group.

The Group is now several months into the first phase of strategic growth, based on market consolidation in our main markets and selective organic growth in those markets where the addition of capacity is unlikely to contribute to a deterioration of market conditions. The first six months of 2006 have given encouragement in respect of both the deliverability and effectiveness of this strategy and we believe there is considerable scope for further improvement in the business performance.

Trading since the half-year end has continued its improving trend and we look forward to being able to report further progress for the year.

John Gordon
Chairman
4 September 2006

Group income statement (unaudited)

	6 months ended 30 June 2006 £000	6 months ended 30 June 2005 £000	12 months ended 31 December 2005 £000
Revenue	57,062	47,911	100,009
Cost of sales	(33,209)	(29,510)	(58,652)
Gross profit	23,853	18,401	41,357
Operating expenses	(20,551)	(17,282)	(34,013)
Operating profit	3,302	1,119	7,344
Investment income	81	4	46
Interest payable	(2,249)	(2,469)	(4,491)

Profit/(loss) before taxation	1,134	(1,346)	2,899
Taxation on (profit)/loss	(513)	611	(2,010)
Profit/(loss) for the period	621	(735)	889
Profit/(loss) per ordinary share			
- basic	1.65p	(1.99)p	2.40p
- diluted	1.64p	(1.99)p	2.38p

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

Group balance sheet (unaudited)

	As at 30 June 2006 £000	As at 30 June 2005 £000	As at 31 December 2005 £000
Assets			
Non-current assets			
Intangible assets	2,168	923	1,107
Goodwill	10,223	-	-
Property, plant and equipment	172,860	148,646	143,292
	185,251	149,569	144,399
Current assets			
Inventories	908	855	749
Trade and other receivables	30,747	25,414	23,406
Current tax assets	-	589	-
Financial assets - derivative financial instruments	308	-	-
Cash and cash equivalents	7,429	3,544	7,980
	39,392	30,402	32,135
Liabilities			
Current liabilities			

Financial liabilities			
- borrowings	(21,910)	(14,850)	(14,162)
-derivative financial instruments	-	(183)	(9)
Trade and other payables	(29,828)	(14,961)	(15,879)
Current tax liabilities	(1,507)	-	(1,879)
	(53,245)	(29,994)	(31,929)
Net current (liabilities)/assets	(13,853)	408	206
Non-current liabilities			
Financial liabilities - borrowings	(76,150)	(62,135)	(55,514)
Deferred tax liabilities	(14,668)	(13,073)	(12,028)
Other non-current liabilities	(1,515)	-	-
	(92,333)	(75,208)	(67,542)
Net assets	79,065	74,769	77,063
Shareholders' equity			
Ordinary shares	379	370	370
Share premium	72,440	70,449	70,449
Capital redemption reserve	4	4	4
Other reserves	(325)	(828)	(431)
Retained earnings	6,567	4,774	6,671
al equity	65	59	53

The interim financial statements were approved by the Board of Directors on 4 September 2006 and were signed on its behalf by:

John Gordon
Chairman

Alan Merrell
Finance Director

Group cash flow statement (unaudited)

	6 months ended 30 June 2006 £000	6 months ended 30 June 2005 £000	12 months ended 31 December 2005 £000
Cash flows from operating activities			
Profit/(loss) for the period after tax	621	(735)	889
Taxation charge/(credit)	513	(611)	2,010
Net interest expense	2,168	2,465	4,445
Amortisation and depreciation	12,372	11,381	22,428
Gain on sale of property, plant and equipment	(331)	(204)	(307)
Other non-cash movements	347	(250)	178
Net (increase)/decrease in working capital	(1,533)	(1,334)	1,582
Cash generated from operations	14,157	10,712	31,225
Net interest paid	(2,227)	(2,835)	(4,852)
Taxation paid	(1,711)	(1)	(1,035)
Net cash generated from operating activities	10,219	7,876	25,338
Net cash (used)/generated by investing activities:			
Acquisition of subsidiaries (net of cash acquired and consideration deferred)	(12,382)	-	-
Proceeds from sale of subsidiary	-	2,665	2,665
Proceeds from sale of property, plant and equipment	2,406	2,812	4,113
Purchase of property, plant and equipment	(2,639)	(1,280)	(1,657)
Net cash (used)/generated by investing activities:	(12,615)	4,197	5,121
Cash flows from financing activities			
Drawdown/(repayment) of loans	6,914	(9,380)	(18,220)
Repayment of principal under hire purchase agreements	(6,176)	(6,623)	(11,802)
Equity dividends paid	(853)	-	-
Proceeds from equity shares issued	2,000	37	37
Net cash used by financing activities	(1,885)	(15,966)	(29,985)
Net (decrease)/increase in cash and cash equivalents before exchange differences	(511)	(3,893)	474
Effects of exchange rates	(40)	(97)	(28)

Net (decrease)/increase in cash and cash equivalents before exchange differences	(551)	(3,990)	446
Cash and cash equivalents at start of period	7,980	7,534	7,534
Cash and cash equivalents at end of period	7,429	3,544	7,980

Analysis of changes in net borrowings during the six months (unaudited)

	At 1				Currency	At 30
	January	Cash	Acquired with	Other non	translation	June
	2006	flows	subsidiaries	cash items	differences	2006
	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	7,980	(3,033)	2,522	-	(40)	7,429
Bank Overdrafts	-	-	-	-	-	-
	7,980	(3,033)	2,522	-	(40)	7,429
Bank debt due within one year	(7,510)	-	(114)	(2,812)	-	(9,806)
Bank debt due after one year	(46,648)	(6,914)	-	2,182	(229)	(51,609)
Loan Notes	-	-	-	(1,400)	-	(1,400)
Hire purchase and finance lease agreements	(15,518)	6,176	(10,257)	(15,589)	(57)	(35,245)
	(69,676)	(738)	(10,371)	(16,989)	(286)	(98,060)
Total net borrowings	(61,696)	(3,771)	(7,849)	(16,989)	(326)	(90,631)

Shareholders' funds and statement of changes in equity (unaudited)

For the six months ended 30 June 2006

	Share capital	Share premium	Capital redemption reserve	Translation reserves	Cash flow hedge reserve	Net investment hedge reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2006	370	70,449	4	(2,232)	(9)	1,810	6,671	77,063

Profit for period	-	-	-	-	-	-	621	621
Share based payments	-	-	-	-	-	-	163	163
Deferred tax movement on share based payments	-	-	-	-	-	-	(35)	(35)
Cash flow hedges – fair value gains in the period	-	-	-	-	317	-	-	317
Dividends paid in the period	-	-	-	-	-	-	(853)	(853)
Shares issued	9	1,991	-	-	-	-	-	2,000
Currency translation differences	-	-	-	(297)	-	86	-	(211)
Balance at 30 June 2006	379	72,440	4	(2,529)	308	1,896	6,567	79,065

For the six months ended 30 June 2005

	Share capital	Share premium	Capital redemption reserve	Translation reserves	Cash flow hedge reserve	Net investment hedge reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 December 2004	370	70,412	4	(841)	-	-	5,455	75,400
IAS39 - recognition of fair value of	-	-	-	-	(578)	-	-	(578)

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Balance at 1 January 2005	370	70,412	4	(841)	(578)	-	5,455	74,822
Loss for the period	-	-	-	-	-	-	(735)	(735)
Share based payments	-	-	-	-	-	-	77	77
Deferred tax movement on share based payments	-	-	-	-	-	-	(23)	(23)
Cash flow hedges – fair value gains in the period	-	-	-	-	395	-	-	395
Shares issued	-	37	-	-	-	-	-	37
Currency translation differences	-	-	-	196	-	-	-	196
Balance at 30 June 2005	370	70,449	4	(645)	(183)	-	4,774	74,769

For the 12 months ended 31 December 2005

	Share capital	Share premium	Capital redemption reserve	Translation reserves	Cash flow hedge reserve	Net investment hedge reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2005	370	70,412	4	(841)	-	-	5,455	75,400

Profit for the year	-	-	-	-	-	-	889	889
Share based payments	-	-	-	-	-	-	178	178
Deferred tax movement on share based payments	-	-	-	-	-	-	149	149
Cash flow hedges - fair value losses in the year	-	-	-	-	(9)	-	-	(9)
Shares issued	-	37	-	-	-	-	-	37
Currency translation differences	-	-	-	(1,391)	-	1,810	-	419

Balance at 31 December 2005

370	70,449	4	(2,232)	(9)	1,810	6,671	77,063
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Notes to the interim financial statements

1. These interim financial statements are prepared using the IFRS accounting policies (including IAS and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC")) that are expected to be applicable for the full reporting year in 2006. These remain subject to ongoing amendment and/or interpretation and are therefore subject to possible change. Consequently, information contained in these interim financial statements may need updating for any subsequent amendments to IFRS, or for any new standards that the Group may elect to adopt early.

The interim financial statements set out on pages 4 to 10 are unaudited and do not comprise statutory accounts for the purpose of section 240 of the Companies Act 1985. Comparative figures for the six months to 30 June 2005 and year to 31 December 2005 have been previously presented in the Group's Interim and Annual reports for 2005, further details of these and the accounting policies under IFRS are available on the Group website (www.lavendongroup.com).

2. The accounting policies used have been consistently applied to both the current and prior year information.

3. Primary segmental analysis - geographical segments

	6 months ended 30 June 2006 £000	6 months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Revenue			
UK	37,194	29,265	61,106
Germany	9,819	10,131	21,153
France	3,416	3,059	6,661
Spain	1,983	1,770	3,614
Middle East	4,650	3,686	7,475
Total	57,062	47,911	100,009
Operating profit / (loss)			
UK	4,672	3,189	8,313
Germany	(2,149)	(2,455)	(3,130)
France	(510)	(571)	(521)
Spain	64	(145)	(27)
Middle East	1,225	1,101	2,709
Total	3,302	1,119	7,334

Note: The information disclosed for the UK operation includes centralised group costs, which may relate to the operation and financing of overseas subsidiaries.

4. The taxation charge for the six months to 30 June 2006 has been calculated by applying the estimated tax rate for the current financial year ending 31 December 2006.

5. Earnings per share are calculated on the 37,679,011 ordinary shares in issue for the six months to 30 June 2006 being the weighted average number of ordinary shares in issue (6 months 2005: 37,013,498; full year 2005: 37,021,112).

Diluted earnings per share assume conversion of all dilutive potential ordinary shares which arise from share options granted to employees 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 37,892,441 (6 months 2005: 37,309,804; full year 2005: 37,370,394). This dilution cannot be applied to a loss for the period and the stated diluted EPS is hence equal to the basic EPS for the current period.

6. Acquisition of subsidiary companies

Panther Work Platforms Limited (Panther)

On 14th February 2006, the Group acquired 100% of the share capital of Panther Work Platforms Limited and its subsidiaries.

The initial consideration was £7.0 million, with £5.0 million being satisfied in cash and £2.0 million being satisfied by the issue of 865,800 new ordinary shares of 1p each in Lavendon Group plc ('Ordinary Shares'). Additional consideration of between £0.8 - £3.1 million is

payable in cash and loan notes by Lavendon Group plc (Lavendon) dependent upon Panther's financial performance over the two years ending on 31 January 2008.

Kestrel Powered Access Limited (Kestrel)

On 21st February 2006, the Group acquired 100% of the share capital of Kestrel Powered Access Limited.

The consideration paid on completion was £4.3 million, satisfied in cash. Additional consideration of between £0.6 - £2.6 million will be payable in cash and loan notes by Lavendon dependent upon Kestrel's financial performance over the two years ending on 31 January 2008.

A.M.P. Access Limited (AMP)

On 20th June 2006, the Group acquired 100% of the share capital of A.M.P. Access Limited.

The consideration paid on completion was £3.0 million, satisfied in cash. Additional consideration of between £0.3 - £2.6 million will be payable in cash by Lavendon dependent upon AMP's financial performance over the two years ending 31 May 2008.

Details of the acquisitions are provided in aggregate below:

	2006	2005
	£000	£000
Book value of assets acquired	7,496	-
Fair value adjustments (i)	395	-
Fair value of assets acquired	7,891	-
Goodwill on aquisition	10,223	-
Other intangible assets recognised	1,200	-
Cost of aquisitions	19,314	-
Satisfied by	2006	2005
	£000	£000

Consideration n cash	12,275	-
Shares issued	2,000	-
Loan notes issued	1,400	-
Deferred consideration (ii)	3,030	-
Acquisition costs	609	-
	19,314	-

The attributed fair values are provisional.

Notes

(i) The fair value adjustments relate to the restatement of the acquired balance sheets under the Group's accounting policies. The adjustments primarily relate to increases in the carrying value of property plant and equipment offset by compensatory adjustments to corporation tax and deferred tax.

(ii) The carrying value of the deferred consideration is estimated after taking into account forecast future earnings. The maximum deferred consideration payable is £8.3 million.

7. A copy of this interim statement is being sent to all shareholders and copies are available from the Company's registered office at 1 Midland Court, Central Park, Lutterworth, Leicestershire, LE17 4PN.

Independent review report to Lavendon Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprises the consolidated interim balance sheet as at 30 June 2006 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the six months then ended 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 financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in Note 1.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by

the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
4 September 2006