ASHTEAD GROUP PLC

Unaudited first quarter results for the three months ended 31 July 2004

Ashtead Group plc, the international equipment rental group serving the construction, industrial and homeowner markets, announces first quarter results for the three months ended 31 July 2004.

Highlights

- Sunbelt's divisional operating profit* up 44% to $25.2m (2003 - $17.5m)
- A-Plant's divisional operating profit* increased to £3.0m (2003 - £1.0m)
- Group pre-tax profit before goodwill amortisation of £5.7m (2003 before amortisation and exceptional items - £1.6m at actual exchange rates and £1.0m at 2004 exchange rates).
- Group pre-tax profit for the quarter of £3.5m (2003 - £8.0m loss)
- Net debt+ at 31 July of £516.7m (July 2003 - £605.8m at actual rates and £559.3m at constant 2004 rates). Net debt reduced by £10.0m in the quarter at actual rates and by £4.6m at constant exchange rates.

* divisional operating profit is defined as the operating profit before exceptional items and goodwill amortisation of our divisions
\+ debt plus non-recourse funding received under the accounts receivable securitisation less cash at bank and in hand.
Further details of these performance measures are given in the Operating and Financial Review.

Ashtead's chief executive, George Burnett, commented:

"The Group performed strongly in the quarter reflecting improving markets and increased market share in the US and the beneficial impact of refocusing our business in the UK.

Current trading conditions remain favourable in both our main markets and, whilst the weakness of the US dollar and any further interest rate rises may have an adverse impact, the Board looks forward to reporting further progress."

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PRESS RELEASE

Overview

Group profit on ordinary activities before tax, goodwill amortisation and, in 2003, exceptional items increased to £5.7m (2003 - £1.6m at actual exchange rates and £1.0m at constant 2004 exchange rates). After goodwill amortisation and, in 2003, exceptional items, the pre-tax profit was £3.5m compared with the £8.0m loss in 2003. Earnings per share based on the pre-tax profit before goodwill amortisation and, in 2003 exceptional items and after an imputed 30% tax rate increased to 1.2p (2003 - 0.3p). After goodwill amortisation and, in 2003, exceptional items, and the actual tax charge, earnings per share for the quarter were nil pence per share in 2004 compared to the loss of 2.6p per share in 2003.

Review of trading

	Turnover		EBITDA*		Divisional operating profit**	
	2004	2003	2004	2003	2004	2003
Sunbelt Rentals in $m	160.2	143.2	51.3	44.0	25.2	17.5
Sunbelt Rentals in £m	87.9	87.7	28.2	26.9	13.8	10.7
A-Plant	39.0	41.4	11.9	11.1	3.0	1.0
Ashtead Technology	3.0	3.4	1.5	1.8	0.7	1.0
Group central costs	-	-	(1.7)	(1.0)	(1.6)	(1.1)
	129.9	132.5	39.9	38.8	15.9	11.6

* in 2003, before exceptional items ** operating profit before goodwill amortisation and, in 2003, exceptional items

Group turnover for the first quarter was £129.9m (2003 - £132.5m at actual exchange rates and £123.2m at constant 2004 exchange rates). EBITDA for the quarter was £39.9m (2003 - £38.8m at actual exchange rates and £35.9m at constant 2004 exchange rates). EBITDA margin was 30.7% (2003 – 29.3%). Group operating profit before goodwill amortisation and, in 2003, exceptional items, increased to £15.9m (2003 - £11.6m at actual rates and £10.5m at constant 2004 exchange rates) and the operating profit margin rose to 12.2% (2003 – 8.8%). After goodwill amortisation and, in 2003, exceptional items, first quarter operating profit was £13.7m (2003 - £8.2m at actual exchange rates).

Sunbelt Rentals

Sunbelt continued to perform strongly. Turnover in dollars grew 11.9% to $160.2m. This reflected an increase of approximately 5% in rental rates together with growth in average utilisation rates, which improved from 66% in the first quarter of 2003/4 to 70% this year. Sunbelt's growth reflected market share gains as well as the continued improvement in non-residential construction activity, which according to figures published by the US Department of Commerce grew 5% in the year to July 2004.

Sunbelt's EBITDA for the quarter grew 16.6% to $51.3m with its EBITDA margin rising to 32.0% from 30.7% a year earlier. Operating costs in dollars increased by 7.4% in the quarter reflecting increased investment in personnel and higher maintenance costs to service current activity levels as well as higher fuel and insurance costs. Divisional operating profit grew 44.0% to $25.2m and the divisional operating profit margin was 15.7% (2003 - 12.2%).

Since the end of the quarter Sunbelt has continued to experience positive trends with business volumes in its Florida region being enhanced by the work necessary to deal with the clean up of Hurricanes Charley, Frances and Ivan.

A-Plant

A-Plant continued to build on the improvements in performance seen in the fourth quarter of last year. Turnover for the quarter declined to £39.0m from £41.4m in 2003 principally as a result of last year's non-core disposal programme. On a same store basis, A-Plant improved its operating efficiency achieving a 1.9% turnover increase on a fleet size which was approximately 6% smaller than in the equivalent period in the previous year. Utilisation rates rose from 61% in 2003 to 66% this year while rental rates remained broadly constant. A-Plant's operating costs (before depreciation) declined 10.6% in the quarter reflecting the non-core disposals and tight management.

Consequently, A-Plant's EBITDA for the quarter grew 7.2% to £11.9m with its EBITDA margin rising to 30.5% from 26.8% a year earlier. After depreciation, its divisional operating profit was £3.0m (2003 - £1.0m) and its divisional operating profit margin was 7.7% (2003 - 2.4%).

Ashtead Technology

Offshore market conditions for Ashtead Technology remained difficult and consequently its turnover declined 11.8% to £3.0m at actual exchange rates. In underlying terms, growth in its onshore environmental rental businesses partially offset lower offshore revenues and at constant exchange rates its total revenues decreased by 7.6%. Cost control and the impact of the weak US dollar limited the reduction in its divisional operating profit which was £0.7m (2003 - £1.0m).

Capital expenditure and net debt

Capital expenditure in the quarter was £31.6m of which £30.3m was spent on the fleet. These expenditure levels were broadly double those of the equivalent period last year reflecting the improving US economic conditions. £14.1m of the expenditure on the fleet was for growth with the remainder spent on replacing existing equipment.

Net debt at 31 July was £516.7m, a reduction of £10.0m since year-end and £89.1m in the twelve months since 31 July 2003. At constant exchange rates the reduction in the quarter was £4.6m and £42.6m in the twelve months from July 2003.

Review of advisers

The Company has recently completed a review of its advisers. As a result, JP Morgan has joined Close Brothers as the Company's financial advisers, The Maitland Consultancy has been appointed as financial PR adviser and Evolution Securities Limited is appointed the Company's stockbroker, all with immediate effect.

Current trading and outlook

Current trading conditions remain favourable in both our main markets and, whilst the weakness of the US dollar and any further interest rate rises may have an adverse impact, the Board looks forward to reporting further progress.

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There will be a presentation to equity analysts at 9.30am this morning. A live webcast of this presentation will be available through the Company's website, www.ashtead-group.com and there will also be a recorded playback from shortly after the call finishes.

UNAUDITED CONSOLIDATED PROFIT & LOSS ACCOUNT

	Three months ended 31 July 2004			Three months ended 31 July 2003		
	Before goodwill amortisation £m	Goodwill amortisation £m	Total £m	Before goodwill amortisation & exceptional items £m	Goodwill amortisation & exceptional items £m	Total £m
Turnover	129.9	-	129.9	132.5	-	132.5
Operating profit	15.9	(2.2)	13.7	11.6	(3.4)	8.2
Interest payable and similar charges	(10.2)	-	(10.2)	(10.0)	(6.2)	(16.2)
Profit/(loss) on ordinary activities before taxation	5.7	(2.2)	3.5	1.6	(9.6)	(8.0)
Taxation on profit/(loss) on ordinary activities:						
- current tax	(0.1)	-	(0.1)	-	-	-
- deferred tax	(3.4)	-	(3.4)	(2.4)	2.1	(0.3)
Profit/(loss) for the quarter transferred from reserves	2.2	(2.2)	-	(0.8)	(7.5)	(8.3)
Basic and diluted earnings/ (loss) per share			0.0p			(2.6p)
Reconciliation of operating profit to EBITDA						
Operating profit	15.9	(2.2)	13.7	11.6	(3.4)	8.2
Depreciation & amortisation	24.0	2.2	26.2	27.2	2.3	29.5
EBITDA	39.9	-	39.9	38.8	(1.1)	37.7

EBITDA is presented here as an additional performance measure as it is commonly used by investors and lenders.

UNAUDITED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE THREE MONTHS ENDED 31 JULY 2004	2004 £m	2003 £m
Loss for the financial period	-	(8.3)
Foreign currency translation differences	(2.2)	0.4
Total recognised gains and losses in the period	(2.2)	(7.9)

UNAUDITED SUMMARY OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2004 £m	2003 £m
Total recognised gains and losses in the period	(2.2)	(7.9)
Shareholders' funds at the beginning of the period	131.8	159.4
Closing shareholders' funds	129.6	151.5

UNAUDITED CONSOLIDATED BALANCE SHEET

	Unaudited 31 July 2004 £m	Unaudited 31 July 2003 £m	Audited 30 April 2004 £m
Fixed assets			
Intangible assets:			
- goodwill	140.7	149.7	142.9
Tangible fixed assets:			
- rental equipment	464.7	553.2	469.7
- other fixed assets	63.7	73.1	65.8
	528.4	626.3	535.5
	669.1	776.0	678.4
Current assets			
Stock	15.7	12.6	15.1
Trade debtors subject to non-recourse financing	84.7	86.0	82.4
Non-recourse financing received	(55.1)	(55.5)	(52.2)
Trade debtors net of non-recourse financing	29.6	30.5	30.2
Other trade debtors, prepayments & accrued income	12.1	16.5	11.7
Cash at bank and in hand	11.6	16.4	9.9
	69.0	76.0	66.9
Creditors - amounts falling due within one year			
Bank loans, overdrafts and finance lease obligations	(15.5)	(50.3)	(15.6)
Trade and other creditors	(80.4)	(80.2)	(77.3)
	(95.9)	(130.5)	(92.9)
Net current liabilities	(26.9)	(54.5)	(26.0)
Total assets less current liabilities	642.2	721.5	652.4
Creditors - amounts falling due after more than one year			
5.25% unsecured convertible loan note, due 2008	(130.7)	(130.0)	(130.6)
Bank and other loans	(327.0)	(386.4)	(338.2)
Trade and other creditors	(9.5)	(7.4)	(9.4)
	(467.2)	(523.8)	(478.2)
Provision for liabilities and charges			
Deferred taxation	(30.4)	(29.2)	(27.7)
Other provisions	(15.0)	(17.0)	(14.7)
	(45.4)	(46.2)	(42.4)
Total net assets	129.6	151.5	131.8
Capital and reserves			
Called up share capital	32.6	32.6	32.6
Share premium account	100.7	100.7	100.7
Revaluation reserve	0.5	0.5	0.5
Own shares held by ESOT	(1.6)	(1.6)	(1.6)
Profit and loss account	(2.6)	19.3	(0.4)
Total equity shareholders' funds	129.6	151.5	131.8

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Three months ended 31 July 2004 £m	Unaudited Three months ended 31 July 2003 £m	Audited Year ended 30 April 2004 £m
Net cash inflow from operating activities			
Cash inflow before exceptional items	30.8	37.9	140.0
Exceptional costs	(3.7)	(3.1)	(11.1)
Movement in non-recourse finance received under trade debtors securitisation	3.4	(2.0)	(2.2)
Net cash inflow from operating activities	30.5	32.8	126.7
Returns on investments and servicing of finance			
Interest paid	(2.1)	(6.5)	(32.9)
Exceptional bank facility costs	-	(2.5)	(7.1)
Net cash outflow from returns on investments and servicing of finance	(2.1)	(9.0)	(40.0)
Taxation (outflow)/inflow	(0.3)	0.4	0.1
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(27.3)	(22.9)	(82.9)
Sale of tangible fixed assets	7.1	6.8	32.3
Net cash outflow from capital expenditure and financial investment	(20.2)	(16.1)	(50.6)
Acquisitions & disposals inflow	-	4.2	15.2
Net cash inflow before management of liquid resources and financing	7.9	12.3	51.4
Financing			
Issue of ordinary share capital	-	-	-
Drawdown of loans	-	-	115.6
Redemption of loans	-	(2.2)	(156.6)
Increase in cash collateral balances	-	(2.9)	(2.6)
Capital element of finance lease payments	(2.8)	(3.0)	(8.6)
Net cash outflow from financing	(2.8)	(8.1)	(52.2)
Increase/(decrease) in cash	5.1	4.2	(0.8)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JULY 2004

1. Basis of preparation

   The quarterly financial statements for the period ended 31 July 2004 were approved by the directors on 19 September 2004. They have been prepared in accordance with relevant UK accounting standards on the basis of the accounting policies set out in the Group's Annual Report and Accounts for the year ended 30 April 2004. They are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

   The abridged 2004 balance sheet and cash flow statement are taken from the statutory accounts for the year ended 30 April 2004 which have been mailed to shareholders and will be filed with the Registrar of Companies shortly. The auditors' report on those accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

2. Segmental analysis

	Three months ended 31 July				
		Operating profit			
	Turnover	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	Total	Net assets
	£m	£m	£m	£m	£m
2004					
Sunbelt Rentals	87.9	13.8	(2.1)	11.7	475.7
A-Plant	39.0	3.0	-	3.0	190.3
Technology	3.0	0.7	(0.1)	0.6	10.7
Corporate costs	-	(1.6)	-	(1.6)	-
Central items*	-	-	-	-	(547.1)
	129.9	15.9	(2.2)	13.7	129.6
2003					
Sunbelt Rentals	87.7	10.7	(3.2)	7.5	565.3
A-Plant	41.4	1.0	(0.1)	0.9	209.6
Technology	3.4	1.0	(0.1)	0.9	11.6
Corporate costs	-	(1.1)	-	(1.1)	-
Central items*	-	-	-	-	(635.0)
	132.5	11.6	(3.4)	8.2	151.5

* net borrowings, non recourse funding under the debtors securitisation and deferred taxation

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JULY 2004

3. Operating costs

	Three months ended 31 July 2004			Three months ended 31 July 2003		
	Before goodwill amortisation	Goodwill amortisation	Total	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	Total
	£m	£m	£m	£m	£m	£m
Staff costs:						
Salaries	38.2	-	38.2	40.0	-	40.0
Social security costs	3.5	-	3.5	3.4	-	3.4
Other pension costs	1.0	-	1.0	1.1	-	1.1
	42.7	-	42.7	44.5	-	44.5
Depreciation and amortisation:						
Depreciation	24.0	-	24.0	27.2	-	27.2
Goodwill amortisation	-	2.2	2.2	-	2.3	2.3
	24.0	2.2	26.2	27.2	2.3	29.5
Other costs:						
Vehicle costs	12.1	-	12.1	11.5	-	11.5
Spares, consumables and external repairs	9.9	-	9.9	10.2	-	10.2
Facilities costs	7.0	-	7.0	7.7	-	7.7
Refinancing costs	-	-	-	-	1.2	1.2
Other external charges	19.4	-	19.4	19.6	-	19.6
	48.4	-	48.4	49.0	1.2	50.2
Other operating income: (Profit)/loss on disposal of fixed assets	(1.1)	-	(1.1)	0.2	(0.1)	0.1
	114.0	2.2	116.2	120.9	3.4	124.3

4. Interest payable and similar charges

	Three months ended 31 July 2004	2003
	£m	£m
Bank interest payable	3.4	6.9
Funding cost on trade debtors' securitisation	0.9	0.8
Interest on 5.25% unsecured convertible loan note, due 2008	2.1	1.9
Interest on 12% senior secured notes, due 2014	3.6	-
Interest payable on finance leases	0.2	0.4
Total interest payable before exceptional costs	10.2	10.0
Exceptional costs re debt facilities	-	6.2
	10.2	16.2

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JULY 2004

5. Taxation

The effective rate of tax for the three months ended 31 July 2004 is nil% in the UK and 40.4% in the US. The tax charge for the period has been calculated applying the directors' best estimate of the annual tax rate in each jurisdiction in which the Group operates to the relevant proportion of the profit before tax for the period after adding back goodwill amortisation for which no tax allowance is available.

6. Earnings/(Loss) per share

Basic and diluted earnings/(loss) per share for the three months ended 31 July 2004 have been calculated based on the profit/(loss) for the quarter and on the weighted average number of ordinary shares in issue during the period which excludes the 2,723,461 shares held by the ESOT in respect of which dividends have been waived. Diluted earnings/(loss) per share is computed using the result for the quarter and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

	Three months ended 31 July 2004			Three months ended 31 July 2003		
	Profit for the financial period	Weighted average no of shares	Per share amount	Loss for the financial period	Weighted average no of shares	Per share amount
	£m	million	pence	£m	million	pence
As used in the calculation of basic earnings per share	0.0	322.9	0.0	(8.3)	322.9	(2.6)
Outstanding share options	-	-	-	-	-	-
As used in the calculation of diluted earnings per share	0.0	322.9	0.0	(8.3)	322.9	(2.6)

7. Tangible fixed assets

	2004		2003	
Net book value	Rental equipment	Total equipment	Rental equipment	Total
	£m	£m	£m	£m
At 1 May	469.7	535.5	577.5	651.5
Exchange difference	(7.9)	(8.7)	(2.4)	(2.6)
Additions	30.3	31.6	14.0	15.8
Disposals	(5.6)	(6.0)	(11.3)	(11.6)
Depreciation	(21.8)	(24.0)	(24.6)	(26.8)
At 31 July	464.7	528.4	553.2	626.3

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JULY 2004

8. Notes to cash flow statement

	Three months ended 31 July 2004 £m	2003 £m	Year to 30 April 2004 £m
a) Cash flow from operating activities			
Operating profit	13.7	8.2	16.2
Depreciation of tangible fixed assets	24.0	27.2	105.1
Amortisation	2.2	2.3	9.2
Exceptional items excluding impairment	-	1.1	16.5
EBITDA	39.9	38.8	147.0
(Gain)/loss on sale of tangible fixed assets	(1.1)	0.2	(5.2)
(Increase) in stocks	(0.9)	(1.1)	(4.4)
(Increase)/decrease in debtors	(4.1)	1.5	0.5
(Decrease)/increase in creditors	(3.3)	(1.8)	0.9
Exchange differences	0.3	0.3	1.2
Net cash inflow from operating activities before exceptional items	30.8	37.9	140.0

b) Reconciliation to net debt

	Three months ended 31 July 2004 £m	2003 £m	Year to 30 April 2004 £m
(Increase)/decrease in cash in the period	(5.1)	(4.2)	0.8
Increase in cash collateral balances	-	(2.9)	(2.6)
Decrease in bank loans	-	(2.3)	(41.0)
Decrease in finance lease obligation	(2.8)	(3.0)	(8.6)
Change in net debt from cash flows	(7.9)	(12.4)	(51.4)
Translation difference	(5.2)	(2.3)	(39.7)
Non cash movement:			
- 5.25% unsecured convertible loan note	0.1	0.2	0.8
- 12% second priority senior secured notes	0.1	-	-
Movement in net debt in the period	(12.9)	(14.5)	(90.3)
Opening bank debt	474.5	564.8	564.8
Closing debt	461.6	550.3	474.5

c) Analysis of net debt	1 May 2004 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	31 July 2004 £m
Cash	(3.9)	-	(1.9)	-	(5.8)
Cash collateral balances	(6.0)	0.2	-	-	(5.8)
Overdrafts	3.3	-	(3.2)	-	0.1
	(6.6)	0.2	(5.1)	-	(11.5)
Debt due after 1 year	465.5	(5.1)	-	(2.8)	457.6
Debt due within 1 year	15.6	(0.3)	(2.8)	3.0	15.5
Total net debt	474.5	(5.2)	(7.9)	0.2	461.6

APPENDIX: OPERATING AND FINANCIAL REVIEW

Overview

	2004			2003		
	Before goodwill amortisation £m	Goodwill amortisation £m	Total £m	Before goodwill amortisation & exceptional items £m	Goodwill amortisation & exceptional items £m	Total £m
Turnover	129.9	-	129.9	132.5	-	132.5
Staff costs	(42.7)	-	(42.7)	(44.5)	-	(44.5)
Other operating costs (net)	(47.3)	-	(47.3)	(49.2)	(1.1)	(50.3)
EBITDA*	39.9	-	39.9	38.8	(1.1)	37.7
Depreciation & amortisation	(24.0)	(2.2)	(26.2)	(27.2)	(2.3)	(29.5)
Operating profit	15.9	(2.2)	13.7	11.6	(3.4)	8.2
Interest payable	(10.2)	-	(10.2)	(10.0)	(6.2)	(16.2)
Profit/(loss) before taxation	5.7	(2.2)	3.5	1.6	(9.6)	(8.0)
Taxation	(3.5)	-	(3.5)	(2.4)	2.1	(0.3)
Profit/(loss) for the quarter	2.2	(2.2)	-	(0.8)	(7.5)	(8.3)

* EBITDA is presented here as an additional performance measure as it is commonly used by investors and lenders.

First quarter turnover increased 5.4% at constant 2004 exchange rates to £129.9m but declined 2.0% at actual rates due to the weak US dollar. EBITDA before exceptional items for the quarter grew by 11.1% at constant exchange rates to £39.9m and increased by 2.8% at actual rates. Total EBITDA increased 5.8% at actual rates to £39.9m.

Operating profit increased 67.1% to £13.7m. Before goodwill amortisation and exceptional items, operating profit increased 51.4% to £15.9m at constant exchange rates but, due to the weak US dollar, by only 37.1% at actual rates.

Divisional performance

Divisional results are summarised below and are stated before amortisation and exceptional items:

	Turnover		EBITDA*		Divisional operating profit**	
	2004	2003	2004	2003	2004	2003
Sunbelt Rentals in $m	160.2	143.2	51.3	44.0	25.2	17.5
Sunbelt Rentals in £m	87.9	87.7	28.2	26.9	13.8	10.7
A-Plant	39.0	41.4	11.9	11.1	3.0	1.0
Ashtead Technology	3.0	3.4	1.5	1.8	0.7	1.0
Group central costs	-	-	(1.7)	(1.0)	(1.6)	(1.1)
	129.9	132.5	39.9	38.8	15.9	11.6

* in 2003, before exceptional items
** operating profit before goodwill amortisation and, in 2003, exceptional items

Sunbelt's turnover increased 11.9% in the quarter to $160.2m. This performance was due to improved rental rates which grew approximately 5% over 2003, combined with higher equipment utilisation which rose from 66% a year ago to 70% and a fleet size which was broadly similar in both years. Sunbelt's turnover growth in the quarter reflected improving conditions in its major markets, particularly the non-residential construction market which grew 5% in the year to 31 July 2004 according to figures published by the US Department of Commerce, as well as continued market share gains. Sunbelt's operating costs (excluding depreciation and goodwill amortisation) rose 9.8% in the quarter to $108.9m in 2004. This reflected increased investment in personnel and higher maintenance costs to service current activity levels as well as growth in fuel and insurance costs.

Sunbelt's EBITDA margin for the quarter improved to 32.0% from 30.7% in 2003, reflecting the beneficial impact of operational leverage. Sunbelt's divisional operating profit increased 44.0% to $25.2m from $17.5m in 2003 and its divisional operating profit margin improved to 15.7% from 12.2%.

Sunbelt's results in sterling reflected the factors discussed above and the weak US dollar.

A-Plant's turnover declined 5.8% to £39.0m in the quarter, reflecting the disposal of three non-core businesses during 2003/4. Excluding the effect of these disposals, same store turnover increased 1.9% over 2003 reflecting a fleet size which was approximately 6% smaller than in the equivalent period a year ago, a rise in utilisation to 66% this year from 61% in 2003 and rental rates which remained broadly constant. A-Plant's operating costs (excluding depreciation and goodwill amortisation) decreased 10.6% to £27.1m reflecting the disposals and tight management. Consequently its EBITDA margin for the quarter improved to 30.5% from 26.8% in 2003 and its EBITDA grew 7.2% to £11.9m. A-Plant's divisional operating profit of £3.0m compares with £1.0m in 2003.

Ashtead Technology's turnover declined 11.8% to £3.0m at actual rates of exchange but decreased by 7.6% at constant exchange rates. Its divisional operating profit of £0.7m decreased 30.0% from £1.0m in 2003 at actual rates of exchange and by 23.6% at constant exchange rates. These results reflected growth in its onshore environment rental profit centres offset by a weaker performance in its three offshore focused profit centres where demand is expected to remain weak until summer 2005.

<u>Interest payable and similar charges</u>

Interest payable and similar charges decreased to £10.2m from £16.2m in 2003, principally due to the absence of exceptional costs. Before exceptional costs, interest expense rose by 2.0% to £10.2m reflecting lower average debt levels but higher average interest rates following issue of the 12% senior secured notes in April 2004.

<u>Taxation</u>

The tax charge for the quarter of £3.5m (2003 - £0.3m) comprised a charge for current tax of £0.1m and a charge for deferred tax of £3.4m. The Group remains in a tax loss position in the UK and accordingly the deferred tax charge reflects only a charge on US profits which accounts for the high reported effective tax rate. Cash tax payments remain very low.

Profit/(loss) before taxation

As a result of the foregoing, the profit on ordinary activities before taxation was £3.5m compared with the loss of £8.0m in 2003. Before goodwill amortisation and exceptional items, the profit before tax rose to £5.7m (2003 - £1.6m). After taxation, there was a breakeven result for the quarter compared to the loss of £8.3m in 2003 as a result of the various factors discussed above.

Cash flow

During the three months ended 31 July 2004, the Group generated cash from operations of £30.8m and £7.1m from the sale of tangible fixed assets. The Group used cash during this period principally to pay for purchases of tangible fixed assets of £27.3m, to pay interest and similar charges of £2.1m, to make tax payments of £0.3m and to repay finance leases of £2.8m.

Free cash flow in the three months ended 31 July 2004 (which is defined to exclude exceptional costs and which comprises our net cash inflow from operations excluding exceptional items, less net maintenance capital expenditure, interest and tax) is summarised below:

	2004 £m	2003 £m
EBITDA before exceptional items	39.9	38.8
Cash inflow from operations before exceptional items	30.8	37.9
*Cash efficiency ratio**	*77.2%*	*97.7%*
Maintenance capital expenditure	(24.5)	(22.9)
Proceeds from sale of used rental equipment	7.1	6.8
Tax (paid)/received	(0.3)	0.4
Free cash flow before interest	13.1	22.2
Interest paid (excluding exceptional interest)	(2.1)	(6.5)
Free cash flow after interest	11.0	15.7
Growth capital expenditure	(2.8)	-
Acquisitions and disposals	-	4.2
Exceptional costs	(3.7)	(5.6)
Reduction in total debt	4.5	14.3

* Cash inflow from operations before exceptional items as a percentage of EBITDA

First quarter cash flow was limited, as is usually the case, by seasonal factors with the growth in volumes in the summer generating a requirement for higher investment in working capital, particularly receivables which normally reverses in the third quarter. This effect was less pronounced than is normal in 2003 because the implementation of a new computer system in Sunbelt in the spring of 2003 temporarily increased receivables at the 2003 year end which was largely recovered in the following quarter. Principally due to this effect, cash inflow from operations declined 18.7% to £30.8m and the cash efficiency ratio was 77.2% (2003 – 97.7%).

After net maintenance capital expenditure of £17.4m (2003 - £16.1m) and tax, free cash flow before interest was £13.1m (2003- £22.2m). Interest payments were £2.1m reflecting the fact that interest payments on both the senior secured notes and the convertible loan note are paid semi-annually and that none of these payments were due in the first quarter. After interest free cash flow was £11.0m (2003 - £15.7m). This free cash flow was applied to (1) pay £2.8m in respect of growth capital expenditure; (2) to pay mostly in May outstanding exceptional refinancing costs, principally advisers' fees, of £3.7m which had been accrued for at the 2003/4 year end; and (3) to reduce outstanding debt by £4.5m.

Balance sheet

Tangible fixed assets

	2004		2003	
	Rental equipment	Total	Rental equipment	Total
	£m	£m	£m	£m
Opening balance	469.7	535.5	577.5	651.5
Exchange difference	(7.9)	(8.7)	(2.4)	(2.6)
Additions	30.3	31.6	14.0	15.8
Disposals	(5.6)	(6.0)	(11.3)	(11.6)
Depreciation	(21.8)	(24.0)	(24.6)	(26.8)
Closing balance	464.7	528.4	553.2	626.3

Capital expenditure increased 100% at actual rates to £31.6m in 2004 as the Group increased expenditure with improving market conditions. Capital expenditure in the first quarter of last year was held back during the bank default. At constant exchange rates the increase was 111.6%. Expenditure on rental equipment was 96% of total capital expenditure. Capital expenditure by business was as follows:

	2004			2003
	Growth	Maintenance	Total	Total
	£m	£m	£m	£m
Sunbelt Rentals in $m	12.7	17.1	29.8	9.3
Sunbelt Rentals	7.0	9.4	16.4	5.8
A-Plant	5.9	6.6	12.5	7.2
Ashtead Technology	1.2	0.2	1.4	1.0
Total rental equipment	14.1	16.2	30.3	14.0
Other fixed assets			1.3	1.8
Total additions			31.6	15.8

As market conditions in the US improve the Group has now returned to the position where a proportion (46.5% in the quarter) of its capital expenditure represents growth expenditure. This proportion is estimated on the basis of the assumption that maintenance capital expenditure in any period is equal to the original cost of equipment sold in that period.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 31 July 2004 was 46 months on a net book value basis. This was unchanged from the equivalent figure at 30 April 2004. At 31 July, Sunbelt's fleet had an average age of 48 months (60 months for aerial work platforms which have a longer life and 34 months for the remainder of its fleet) and A-Plant's fleet had an average age of 42 months.

In the current year the Group continues to expect that capital expenditure will total approximately £100m, broadly in line with the anticipated depreciation charge and that the average fleet age will therefore also remain broadly constant over the course of this year. The level of capital expenditure after April 2005 will depend on a number of factors, including general economic conditions and growth prospects, and is subject to a cap of £140m in 2005/6 under the Group's senior secured credit facility.

Trade debtors subject to non-recourse financing

Trade debtors subject to non-recourse financing decreased 1.5% at actual rates to £84.7m in 2004 but increased by 5.7% at constant rates. Debtor days decreased slightly to 54 days (2003 - 56 days).

Trade and other creditors

Group creditor days decreased to 65 days at 31 July 2004 from 101 days at 31 July 2003. This decrease reflected principally the reduction in terms on which rental equipment is acquired to a current average of slightly under 90 days. Capital expenditure related payables at 31 July 2004 totalled £25.0m (2003 - £25.7m). Payment periods for purchases other than rental equipment averaged between 30 and 60 days.

Net debt

	31 July		30 April
	2004	2003	2004
	£m	£m	£m
First priority senior secured bank debt and overdraft	217.8	417.4	226.1
Finance lease obligations	9.1	19.3	12.1
12% second priority senior secured notes, due 2014	115.6	-	115.6
5.2% unsecured convertible loan note, due 2008	130.7	130.0	130.6
	473.2	566.7	484.4
Cash at bank and in hand	(11.6)	(16.4)	(9.9)
	461.6	550.3	474.5
Non-recourse finance received under debtors securitisation	55.1	55.5	52.2
	516.7	605.8	526.7

At 31 July 2004 total net debt which the Group (and its bankers) define to include non-recourse funding received under the debtors securitisation was £516.7m (31 July 2003 - £605.8m) with the reduction being due to a combination of cash generation and the weak US dollar. Measured at constant (31 July 2004) exchange rates, the reduction in total net debt since 31 July last year was £42.6m and £4.6m in the quarter since 30 April 2004.

At 31 July 2004, the Group had total committed undrawn facilities of £38.4m comprising £27.5m available under the senior secured credit facility and £10.9m under the committed secured overdraft facility, both of which are committed to 28 September 2007. At the same date the Group also had cash at bank and in hand (excluding cash held to collateralise outstanding letters of credit) of £5.8m. In total therefore the Group's available liquidity at 31 July 2004 was £44.2m.

Details of the Group's debt facilities are provided in the Group's report and accounts for the year ended 30 April 2004 which have been mailed to shareholders and are also available through the Group's website at www.ashtead-group.com.

Operating statistics

	Profit centre numbers			Staff numbers		
	31 July		30 April	31 July		30 April
	2004	2003	2004	2004	2003	2004
Sunbelt Rentals	200	195	200	3,802	3,687	3,697
A-Plant	225	239	220	2,053	2,203	2,043
Ashtead Technology	10	8	9	81	79	79
Corporate office	-	-	-	14	12	14
Group	435	442	429	5,950	5,981	5,833