ASHTEAD GROUP PLC

Unaudited results for the half year and second quarter ended 31 October 2004

Ashtead Group plc, the equipment rental group serving the US and UK construction, industrial and homeowner markets, announces its results for the half year and second quarter ended 31 October 2004.

Highlights

- Group H1 pre-tax profit before goodwill and, in 2003, exceptional items up 81% to £20.1m
- Group H1 pre-tax profit of £15.7m (2003 – loss of £8.5m)
- Sunbelt's H1 profit* up 50% to US$61.9m
- A-Plant's H1 profit* up 52% to £8.5m
- Group Q2 pre-tax profit before goodwill and, in 2003, exceptional items up 52% to £14.4m
- Group Q2 pre-tax profit of £12.2m (2003 – loss of £0.5m)
- New five year $675m asset based senior syndicated loan facility successfully completed

* Sunbelt's and A-Plant's profit comprises their operating profit before goodwill amortisation and, in 2003, exceptional items.

Ashtead's chief executive, George Burnett, commented:

"The Group again performed strongly in the second quarter reflecting improving markets, increased market share and the shift from ownership to rental in the US. A-Plant also showed strong growth building on the improvements seen since the completion in January of its refocusing programme. Our new five-year senior debt facility, which was successfully completed just after the end of the period, provides us with greater flexibility to invest and a lower interest cost.

Current trading conditions in both our main markets remain strong. Whilst the continuing weakness of the US dollar and any further interest rate rises may adversely impact second half performance, the Board remains encouraged by the underlying performance of both our main businesses and by the Group's long term growth potential."

Contacts:

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PRESS RELEASE

Overview

In the first half Group profit before tax, goodwill amortisation and exceptional items (which arose only in 2003) rose 81% to £20.1m (2003 - £11.1m) and by 114% at constant exchange rates. After goodwill amortisation and exceptional items, pre-tax profits were £15.7m compared with last year's loss of £8.5m. Earnings per share based on the pre-tax profit before goodwill amortisation and exceptional items and after an imputed 30% tax rate increased to 4.4p (2003 – 2.4p). After goodwill amortisation and exceptional items, and the accounting tax charge, earnings per share were 2.0p in 2004 compared to the loss of 3.4p in 2003.

The Group again performed strongly in the second quarter. Group profit before tax, goodwill amortisation and, in 2003, exceptional items rose 52% to £14.4m (2003 - £9.5m) and by 71% at constant exchange rates. After goodwill amortisation and exceptional items, the pre-tax profit was £12.2m compared with the loss of £0.5m in 2003.

Review of first half trading

	Turnover*		EBITDA*		Divisional operating profit**	
	2004	2003	2004	2003	2004	2003
Sunbelt Rentals in US$m	342.0	295.9	114.7	94.1	61.9	41.3
Sunbelt Rentals in £m	188.1	180.3	63.1	57.5	34.0	25.2
A-Plant	80.6	83.5	26.5	26.5	8.5	5.6
Ashtead Technology	6.0	6.8	2.9	3.6	1.4	2.1
Group central costs	-	-	(3.1)	(2.7)	(3.1)	(2.7)
	274.7	270.6	89.4	84.9	40.8	30.2
Interest					(20.7)	(19.1)
Profit before tax **					20.1	11.1

* In 2003, before exceptional items. ** Before goodwill amortisation and, in 2003, exceptional items.

The impact of the 11% year on year decline in the US dollar limited the increase in first half sterling Group turnover to 1.5%. At actual rates of exchange first half EBITDA grew 5.3% to £89.4m and operating profit before goodwill amortisation and exceptional items increased 35.1% to £40.8m. The underlying growth was stronger. Measured at constant exchange rates, to eliminate the translation effect of the weak US dollar, turnover grew 8.8%, EBITDA grew 13.1% and operating profit before goodwill amortisation and exceptional items grew 47.9%. The Group's profit margins also improved. The first half EBITDA margin rose from 31.4% to 32.5% and the operating profit margin (before goodwill amortisation and exceptional items) from 11.2% to 14.9%.

Sunbelt Rentals

Sunbelt continued to perform strongly in the first half with both rental rates and utilisation continuing to rise, particularly in the second quarter. As a result first half turnover grew 15.6% to US$342.0m reflecting growth of approximately 7% in rental rates and an increase in utilisation rates from 67% to 72% whilst its fleet size remained broadly constant. Turnover growth was broadly based with all regions and all major product areas trading ahead of last year.

Turnover also benefited from additional work in the second quarter from the aftermath of the Florida hurricanes. Construction volumes in Florida are expected to continue to be strong for at least the next year. New profit centres were opened in Houston, Chicago and Vancouver (Washington State) in the first half and further new profit centres are planned for Miami and Phoenix.

Sunbelt's turnover improvement reflected market share gains and growth in non-residential construction activity as well as a continued shift from ownership to rental. Sunbelt's first half divisional operating profit grew 49.9% to US$61.9m (2003 - US$41.3m) representing a margin of 18.1% (2003 - 14.0%).

A-Plant

A-Plant continued to build on the improvements in performance seen in Q4 last year and Q1 this year. Although total turnover for the six months declined to £80.6m from £83.5m in 2003 as a result of last year's non-core disposal programme, on a same store basis turnover increased 3.6%. This reflected a fleet size which was approximately 5% smaller than in the equivalent period last year, an increase in utilisation from 60% to 66% and broadly constant rental rates. All three of A-Plant's divisions improved with the Tool Hire division achieving the highest growth rate. New Tool Hire shops were opened in Harlow and Croydon and trading has just commenced at our new accommodation business in Cumbria.

A-Plant's first half divisional operating profit grew 51.8% to £8.5m (2003 - £5.6m) representing a margin of 10.5% (2003 – 6.7%).

Ashtead Technology

Technology's turnover declined 11.8% to £6.0m at actual exchange rates as growth in its onshore environmental rental businesses was offset by slow offshore market conditions. Our first UK environmental rental store was opened in Hitchin at the beginning of the period and the US expansion continued with an opening in Atlanta in October. First half divisional operating profit was £1.4m (2003 - £2.1m). Towards the end of the period, activity levels in the North Sea market improved. Commentators are now increasingly confident that the oil majors will be funding greater offshore exploration and construction activity in 2005 from which Ashtead Technology should benefit in due course.

Capital expenditure and net debt

Capital expenditure in the six months was £63.3m of which £60.5m was on the fleet. These expenditure levels were significantly higher than last year reflecting the improving US economic conditions. £18.2m of the fleet expenditure was for growth with the remainder being spent to replace existing equipment. Disposal proceeds of £15.5m (2003 - £19.4m) were realised in the period generating a profit on disposal of £2.5m (2003 - £1.8m).

The tax effect on cash flow was again minimal and is expected to remain so.

Net debt at 31 October was £509.4m, a reduction of £17.3m since year-end and £66.1m in the twelve months since 31 October 2003. At constant exchange rates these reductions were £10.2m and £38.4m respectively.

New asset based bank facility

As previously announced, the Group completed syndication of a new US$675m five year asset based first priority senior debt facility on 12 November 2004. At closing US$490m (£265m) was drawn under the facility and was used, together with cash on hand, to repay the amount outstanding under the previous first priority senior debt facility and the debtors securitisation. Demand for participation in the facility was very strong enabling improvement in interest margin to be achieved during syndication.

As well as reducing costs, the new facility offers greater flexibility on capital expenditure levels. Indeed, in light of the positive trading trends in Sunbelt and the Group's strong cash performance, capital expenditure for the current financial year is now expected to be in the region of £120m - £130m as opposed to the previous guidance of £100m - £105m and last year's figure of £72.3m.

Current trading and outlook

Current trading conditions in both our main markets remain strong. Whilst the continuing weakness of the US dollar and any further interest rate rises may adversely impact second half performance, the Board remains encouraged by the underlying performance of both our main businesses and by the Group's long term growth potential.

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There will be a presentation to equity analysts at 9.30am this morning at the offices of JP Morgan at 60 Victoria Embankment, London, EC4 (entrance on John Carpenter Street). A simultaneous 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.

CONSOLIDATED PROFIT & LOSS ACCOUNT

	Unaudited				Audited
	Three months to 31 October		Six months to 31 October		Year to 30 April
	2004	2003	2004	2003	2004
	£m	£m	£m	£m	£m
Turnover	144.8	136.9	274.7	269.4	497.0
Operating profit	22.7	10.2	36.4	18.4	16.2
Loss on sale of business	-	-	-	-	(3.8)
Interest payable and similar charges	(10.5)	(10.7)	(20.7)	(26.9)	(45.5)
Profit/(loss) before taxation	12.2	(0.5)	15.7	(8.5)	(33.1)
Profit before taxation, exceptional items and goodwill amortisation	14.4	9.5	20.1	11.1	7.6
Exceptional items	-	(7.8)	-	(15.1)	(31.5)
Goodwill amortisation	(2.2)	(2.2)	(4.4)	(4.5)	(9.2)
Profit/(loss) before taxation	12.2	(0.5)	15.7	(8.5)	(33.1)
Taxation on profit/(loss) on ordinary activities:					
- current tax	(0.4)	(0.1)	(0.5)	(0.1)	0.3
- deferred tax	(5.4)	(2.2)	(8.8)	(2.5)	(2.0)
	(5.8)	(2.3)	(9.3)	(2.6)	(1.7)
Profit/(loss) for the financial period transferred to reserves	6.4	(2.8)	6.4	(11.1)	(34.8)
Basic and diluted earnings/ (loss) per share	2.0p	(0.8p)	2.0p	(3.4p)	(10.8p)

Reconciliation of operating profit to EBITDA before exceptional items

Operating profit	22.7	10.2	36.4	18.4	16.2
Exceptional items	-	6.2	-	7.3	18.8
Goodwill amortisation	2.2	2.2	4.4	4.5	9.2
Depreciation excluding exceptional impairment	24.6	27.5	48.6	54.7	102.8
EBITDA before exceptional items	49.5	46.1	89.4	84.9	147.0

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Unaudited				Audited
	Three months to 31 October		Six months to 31 October		Year to 30 April
	2004	2003	2004	2003	2004
	£m	£m	£m	£m	£m
Gain/(loss) for the financial period	6.4	(2.8)	6.4	(11.1)	(34.8)
Foreign currency translation differences	(1.4)	0.1	(3.6)	0.5	4.9
Total recognised gains and losses in the period	5.0	(2.7)	2.8	(10.6)	(29.9)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Unaudited				Audited
	Three months to 31 October		Six months to 31 October		Year to 30 April
	2004	2003	2004	2003	2004
	£m	£m	£m	£m	£m
Total recognised gains and losses in the period	5.0	(2.7)	2.8	(10.6)	(29.9)
Charge for share scheme awards	0.1	-	0.1	-	-
Goodwill transferred to profit and loss account in respect of businesses sold	-	-	-	-	2.3
Net increase/(decrease) in shareholders' funds in the period	5.1	(2.7)	2.9	(10.6)	(27.6)
Opening shareholders' funds	129.6	151.5	131.8	159.4	159.4
Closing shareholders' funds	134.7	148.8	134.7	148.8	131.8

CONSOLIDATED BALANCE SHEET

	Unaudited 31 October 2004	Unaudited 31 October 2003	Audited 30 April 2004
	£m	£m	£m
Fixed assets			
Intangible assets:			
- goodwill	138.5	147.5	142.9
Tangible fixed assets:			
- rental equipment	463.6	520.3	469.7
- other fixed assets	62.7	69.7	65.8
	526.3	590.0	535.5
	664.8	737.5	678.4
Current assets			
Stock	15.9	13.8	15.1
Trade debtors subject to non-recourse financing	88.9	88.2	82.4
Non-recourse financing received	(54.4)	(53.3)	(52.2)
Trade debtors net of non-recourse financing	34.5	34.9	30.2
Other trade debtors, prepayments & accrued income	14.3	17.2	11.7
Cash at bank and in hand	17.2	18.8	9.9
	81.9	84.7	66.9
Creditors - amounts falling due within one year			
Bank loans	(10.4)	(47.8)	(15.6)
Trade and other creditors	(80.5)	(87.0)	(77.3)
	(90.9)	(134.8)	(92.9)
Net current liabilities	(9.0)	(50.1)	(26.0)
Total assets less current liabilities	655.8	687.4	652.4
Creditors - amounts falling due after more than one year			
Bank and other loans	(330.9)	(363.0)	(338.2)
5.25% unsecured convertible loan note, due 2008	(130.9)	(130.2)	(130.6)
Trade and other creditors	(7.6)	-	(9.4)
	(469.4)	(493.2)	(478.2)
Provision for liabilities and charges			
Deferred taxation	(35.6)	(29.9)	(27.7)
Other provisions	(16.1)	(15.5)	(14.7)
	(51.7)	(45.4)	(42.4)
Total net assets	134.7	148.8	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	2.5	16.6	(0.4)
Total equity shareholders' funds	134.7	148.8	131.8

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months to 31 October 2004 £m	Unaudited Six months to 31 October 2003 £m	Audited Year to 30 April 2004 £m
Net cash inflow from operating activities			
Cash inflow before exceptional items	75.5	80.9	140.0
Exceptional costs	(3.7)	(6.8)	(11.1)
Movement in non-recourse finance received under trade debtors securitisation	2.7	(2.7)	(2.2)
Net cash inflow from operating activities	74.5	71.4	126.7
Returns on investments and servicing of finance			
Interest paid	(12.7)	(16.3)	(32.9)
Exceptional bank facility costs	-	(3.4)	(7.1)
Net cash outflow from returns on investments and servicing of finance	(12.7)	(19.7)	(40.0)
Taxation (outflow)/inflow	(0.6)	(0.2)	0.1
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(63.9)	(50.8)	(82.9)
Sale of tangible fixed assets	16.4	14.2	32.3
Net cash outflow from capital expenditure and financial investment	(47.5)	(36.6)	(50.6)
Acquisitions & disposals inflow	0.4	5.0	15.2
Net cash inflow before management of liquid resources and financing	14.1	19.9	51.4
Financing			
Drawdown of loans	8.3	-	115.6
Redemption of loans	(7.4)	(7.4)	(156.6)
Increase in cash collateral balances	(4.2)	(2.3)	(2.6)
Capital element of finance lease payments	(4.0)	(5.1)	(8.6)
Net cash outflow from financing	(7.3)	(14.8)	(52.2)
Increase/(decrease) in cash	6.8	5.1	(0.8)

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

   The financial statements for the three months and six months ended 31 October 2004 were approved by the directors on 15 December 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.

2. Segmental analysis

Three months to 31 October

	Turnover			Operating profit			
	Before exceptional items	Exceptional items	Total	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	Total	Net assets
	£m	£m	£m	£m	£m	£m	£m
2004							
Sunbelt Rentals	100.2	-	100.2	20.2	(2.1)	18.1	476.4
A-Plant	41.6	-	41.6	5.5	(0.1)	5.4	192.9
Technology	3.0	-	3.0	0.7	-	0.7	10.4
Corporate costs	-	-	-	(1.5)	-	(1.5)	-
Central items*	-	-	-	-	-	-	(545.0)
	144.8	-	144.8	24.9	(2.2)	22.7	134.7
2003							
Sunbelt Rentals	92.6	(1.2)	91.4	14.5	(5.0)	9.5	533.3
A-Plant	42.1	-	42.1	4.6	(3.4)	1.2	209.8
Technology	3.4	-	3.4	1.1	-	1.1	11.1
Corporate costs	-	-	-	(1.6)	-	(1.6)	-
Central items*	-	-	-	-	-	-	(605.4)
	138.1	(1.2)	136.9	18.6	(8.4)	10.2	148.8

Six months to 31 October

2004							
Sunbelt Rentals	188.1	-	188.1	34.0	(4.2)	29.8	476.4
A-Plant	80.6	-	80.6	8.5	(0.1)	8.4	192.9
Technology	6.0	-	6.0	1.4	(0.1)	1.3	10.4
Corporate costs	-	-	-	(3.1)	-	(3.1)	-
Central items*	-	-	-	-	-	-	(545.0)
	274.7	-	274.7	40.8	(4.4)	36.4	134.7
2003							
Sunbelt Rentals	180.3	(1.2)	179.1	25.2	(8.2)	17.0	533.3
A-Plant	83.5	-	83.5	5.6	(3.5)	2.1	209.8
Technology	6.8	-	6.8	2.1	(0.1)	2.0	11.1
Corporate costs	-	-	-	(2.7)	-	(2.7)	-
Central items*	-	-	-	-	-	-	(605.4)
	270.6	(1.2)	269.4	30.2	(11.8)	18.4	148.8

* Net borrowings, non-recourse funding under the accounts receivable securitisation and deferred taxation.

NOTES TO THE FINANCIAL STATEMENTS

3. Operating costs

	Three months to 31 October 2004			Three months to 31 October 2003		
	Before goodwill amortisation	Goodwill amortisation	Total	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	Total
Staff costs:						
Salaries	39.9	-	39.9	39.3	-	39.3
Social security costs	3.1	-	3.1	3.2	-	3.2
Other pension costs	1.0	-	1.0	0.9	-	0.9
	44.0	-	44.0	43.4	-	43.4
Depreciation and amortisation:						
Depreciation	24.6	-	24.6	27.5	2.9	30.4
Goodwill amortisation	-	2.2	2.2	-	2.2	2.2
	24.6	2.2	26.8	27.5	5.1	32.6
Other costs:						
Vehicle costs	13.0	-	13.0	12.8	-	12.8
Spares, consumables and external repairs	10.3	-	10.3	9.3	-	9.3
Facilities costs	7.1	-	7.1	7.5	-	7.5
Refinancing costs	-	-	-	-	1.9	1.9
Other external charges	22.3	-	22.3	20.7	0.4	21.1
	52.7	-	52.7	50.3	2.3	52.6
Other operating income:						
Profit on disposal of fixed assets	(1.4)	-	(1.4)	(1.7)	(0.2)	(1.9)
	119.9	2.2	122.1	119.5	7.2	126.7

	Six months to 31 October 2004			Six months to 31 October 2003		
Staff costs:						
Salaries	78.1	-	78.1	79.3	-	79.3
Social security costs	6.6	-	6.6	6.6	-	6.6
Other pension costs	2.0	-	2.0	2.0	-	2.0
	86.7	-	86.7	87.9	-	87.9
Depreciation and amortisation:						
Depreciation	48.6	-	48.6	54.7	2.9	57.6
Goodwill amortisation	-	4.4	4.4	-	4.5	4.5
	48.6	4.4	53.0	54.7	7.4	62.1
Other costs:						
Vehicle costs	25.1	-	25.1	24.3	-	24.3
Spares, consumables and external repairs	20.2	-	20.2	19.5	-	19.5
Facilities costs	14.1	-	14.1	15.2	-	15.2
Refinancing costs	-	-	-	-	3.1	3.1
Other external charges	41.7	-	41.7	40.3	0.4	40.7
	101.1	-	101.1	99.3	3.5	102.8
Other operating income:						
Profit on disposal of fixed assets	(2.5)	-	(2.5)	(1.5)	(0.3)	(1.8)
	233.9	4.4	238.3	240.4	10.6	251.0

NOTES TO THE FINANCIAL STATEMENTS

4. Interest payable and similar charges

	Three months to 31 October		Six months to 31 October		Year to 30 April
	2004	2003	2004	2003	2004
	£m	£m	£m	£m	£m
Bank interest payable	3.5	5.8	6.9	12.7	24.1
Funding cost on trade debtors' securitisation	1.0	0.8	1.9	1.6	3.2
Interest on 5.25% unsecured convertible loan note, due 2008	2.1	2.1	4.2	4.0	8.1
Interest on 12% senior secured notes, due 2014	3.8	-	7.4	-	-
Interest payable on finance leases	0.1	0.4	0.3	0.8	1.2
Total interest payable before exceptional costs	10.5	9.1	20.7	19.1	36.6
Exceptional costs re debt facilities	-	1.6	-	7.8	8.9
	10.5	10.7	20.7	26.9	45.5

5. Taxation

The effective rate of tax for the six months ended 31 October 2004 is nil% (2003 – nil%) in the UK and 39.7% (2003 – 41.3%) 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 and six months ended 31 October 2004 have been calculated based on the profit/(loss) for the relevant period and on the weighted average number of ordinary shares in issue during that 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 relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). There was no dilutive effect arising from the potential issue of ordinary shares resulting in basic and diluted earnings/(loss) per share being the same, as set out below:

	Three months to 31 October		Six months to 31 October		Year to 30 April
	2004	2003	2004	2003	2004
Profit/(loss) for the financial period (£m)	6.4	(2.8)	6.4	(11.1)	(34.8)
Weighted average number of shares (m)	322.9	322.9	322.9	322.9	322.9
Basic/diluted earnings/(loss) per share (p)	2.0p	(0.8p)	2.0p	(3.4p)	(10.8p)

NOTES TO THE FINANCIAL STATEMENTS

7. Exceptional items

	Three months to 31 October 2003	Six months to 31 October 2003	Year to 30 April 2004
	£m	£m	£m
Debt facility costs	4.0	11.3	20.6
UK business refocusing programme	2.9	2.9	6.1
Prior year impact of change in US estimation methods	1.2	1.2	5.3
US severence costs	-	-	0.5
Profit on sale of land and buildings	(0.3)	(0.3)	(1.0)
	7.8	15.1	31.5
Presented in the profit and loss account as follows:			
Revenue	1.2	1.2	3.3
Depreciation	2.9	2.9	2.3
Other operating costs	2.1	3.2	13.2
Charged in arriving at operating profits	6.2	7.3	18.8
Loss on sale of business	-	-	3.8
Interest payable and similar charges	1.6	7.8	8.9
	7.8	15.1	31.5

8. Tangible fixed assets

	2004		2003	
Net book value	Rental equipment	Total	Rental equipment	Total
	£m	£m	£m	£m
At 1 May	469.7	535.5	577.5	651.5
Exchange difference	(10.0)	(10.9)	(22.2)	(23.9)
Additions	60.5	63.3	34.2	37.6
Disposals	(12.3)	(13.0)	(16.0)	(17.6)
Depreciation – excluding impairment	(44.3)	(48.6)	(50.3)	(54.7)
– UK refocusing programme	-	-	(2.9)	(2.9)
At 31 October	463.6	526.3	520.3	590.0

9. Notes to cash flow statement

	Six months to 31 October 2004	Six months to 31 October 2003	Year to 30 April 2004
a) Cash flow from operating activities	£m	£m	£m
Operating profit	36.4	18.4	16.2
Depreciation of tangible fixed assets	48.6	57.6	105.1
Amortisation	4.4	4.5	9.2
Exceptional items (excluding impairment)	-	4.4	16.5
EBITDA	89.4	84.9	147.0
Gain on sale of tangible fixed assets	(2.5)	(1.5)	(5.2)
Increase in stocks	(1.2)	(2.2)	(4.4)
(Increase)/decrease in debtors	(12.6)	(2.2)	0.5
Increase in creditors	1.9	1.7	0.9
Exchange differences	0.4	0.2	1.2
Other non-cash movement	0.1	-	-
Net cash inflow from operating activities before exceptional items	75.5	80.9	140.0

NOTES TO THE FINANCIAL STATEMENTS

9. Notes to cash flow statement (continued)

	Six months to 31 October 2004 £m	Six months to 31 October 2003 £m	Year to 30 April 2004 £m
b) Reconciliation to net debt			
(Increase)/decrease in cash in the period	(6.8)	(5.1)	0.8
Increase in cash collateral balances	(4.2)	(2.3)	(2.6)
Increase/(decrease) in bank loans	0.9	(7.4)	(156.6)
Increase in senior secured notes due 2014	-	-	115.6
Decrease in finance lease obligation	(4.0)	(5.1)	(8.6)
Change in net debt from cash flows	(14.1)	(19.9)	(51.4)
Translation difference	(5.9)	(23.1)	(39.7)
Non cash movement:			
- 5.25% unsecured convertible loan note	0.4	0.4	0.8
- 12% second priority senior secured notes	0.1	-	-
Movement in net debt in the period	(19.5)	(42.6)	(90.3)
Opening net debt	474.5	564.8	564.8
Closing net debt	455.0	522.2	474.5

c) Analysis of net debt	1 May 2004 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	31 October 2004 £m
Cash	(3.9)	0.1	(3.5)	-	(7.3)
Cash collateral balances	(6.0)	0.3	(4.2)	-	(9.9)
Overdrafts	3.3	-	(3.3)	-	-
	(6.6)	0.4	(11.0)	-	(17.2)
Debt due after 1 year	465.5	(7.0)	8.3	(5.0)	461.8
Debt due within 1 year	15.6	0.7	(11.4)	5.5	10.4
Total net debt	474.5	(5.9)	(14.1)	0.5	455.0

The combined total of cash and cash collateral balances (which are restricted cash held to secure letters of credit) of £17.2m is classified in the balance sheet as cash at bank and in hand.

10. Post balance sheet event

On 12 November 2004, the Company closed a new five year US$675m (£365m) first priority asset based debt facility (the “Facility”). The proceeds of the Facility were used to repay the amounts outstanding under the Company’s existing senior debt facility and its accounts receivable securitisation with the balance of the Facility available to fund future requirements.

11. The abridged 2004 profit and loss account, balance sheet and cash flow statement are taken from the statutory accounts for the year ended 30 April 2004 which have been filed with the Registrar of Companies. The auditors’ report on those accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

APPENDIX: OPERATING AND FINANCIAL REVIEW

Second quarter (to 31 October) results compared with prior year

Overview

	2004			2003		
	Before goodwill amortisation	Goodwill amortisation	Total	Before goodwill amortisation & exceptional items	Goodwill amortisation & exceptional items	Total
	£m	£m	£m	£m	£m	£m
Turnover	144.8	-	144.8	138.1	(1.2)	136.9
Staff costs	(44.0)	-	(44.0)	(43.4)	-	(43.4)
Other operating costs (net)	(51.3)	-	(51.3)	(48.6)	(2.1)	(50.7)
EBITDA*	49.5	-	49.5	46.1	(3.3)	42.8
Depreciation & amortisation	(24.6)	(2.2)	(26.8)	(27.5)	(5.1)	(32.6)
Operating profit	24.9	(2.2)	22.7	18.6	(8.4)	10.2
Interest payable	(10.5)	-	(10.5)	(9.1)	(1.6)	(10.7)
Profit/(loss) before taxation	14.4	(2.2)	12.2	9.5	(10.0)	(0.5)
Taxation	(5.8)	-	(5.8)	(4.2)	1.9	(2.3)
Profit/(loss) for the quarter	8.6	(2.2)	6.4	5.3	(8.1)	(2.8)

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

Second quarter turnover increased 11.9% at constant 2004 exchange rates to £144.8m and by 4.8% at actual rates due to the weak US dollar. EBITDA before exceptional items grew by 14.7% at constant exchange rates to £49.5m and by 7.4% at actual rates. Total EBITDA increased 15.7% at actual rates to £49.5m.

Operating profit more than doubled to £22.7m. Before goodwill amortisation and exceptional items, operating profit increased 45.6% to £24.9m at constant exchange rates and by 33.9% to £24.9m 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	181.8	152.7	63.4	50.1	36.7	23.8
Sunbelt Rentals in £m	100.2	92.6	34.9	30.6	20.2	14.5
A-Plant	41.6	42.1	14.6	15.4	5.5	4.6
Ashtead Technology	3.0	3.4	1.4	1.8	0.7	1.1
Group central costs	-	-	(1.4)	(1.7)	(1.5)	(1.6)
	144.8	138.1	49.5	46.1	24.9	18.6

Sunbelt

Turnover increased 19.1% to $181.8m due to a combination of improved rental rates up approximately 10% over 2003, higher equipment utilisation levels up from 69% a year ago to 74%, and a fleet size which was broadly similar in both years. Growth was broadly based with all regions and all major product areas trading ahead of last year. The quarter benefited by an estimated $8m from additional work resulting from the aftermath of the Florida hurricanes. Construction volumes in Florida are expected to continue to be strong for at least the next year.

Operating costs (excluding depreciation and goodwill amortisation) rose 15.4% to $118.4m in 2004. This reflected increased investment in personnel and higher maintenance costs to service current activity levels, growth in fuel and insurance costs, and overtime and other costs of servicing the high volume levels in Florida discussed above.

As a result, EBITDA grew 26.5% to $63.4m and the EBITDA margin for the quarter improved to 34.9% from 32.8% in 2003. Sunbelt's divisional operating profit increased 54.2% to $36.7m representing a margin of 20.2% (2003 - 15.6%). Sunbelt's results in sterling reflected the factors discussed above and the weak US dollar.

A-Plant

Turnover declined 1.2% to £41.6m in the quarter, reflecting the disposal of three non-core businesses during 2003/4. Excluding the effect of these disposals, same store turnover increased 5.0% over 2003 reflecting a fleet size which was approximately 5% smaller than in the equivalent period a year ago, a rise in utilisation to 66% this year from 60% in 2003 and rental rates which remained broadly constant. Operating costs (excluding depreciation and goodwill amortisation) increased only 1.1% to £27.0m reflecting the disposals and tight management. EBITDA for the quarter declined from £15.4m to £14.6m reflecting the business disposals which also affected the comparative EBITDA margin which declined to 35.1% from 36.6% in 2003. A-Plant's divisional operating profit rose 19.6% to £5.5m.

Ashtead Technology

Turnover declined 11.8% to £3.0m at actual rates of exchange and by 8.2% at constant exchange rates. Its divisional operating profit of £0.7m decreased 36.4% from £1.1m in 2003 at actual rates of exchange and by 37.2% at constant exchange rates. These results reflected growth in its onshore environmental rental businesses that was offset by slow offshore market conditions. Towards the end of the period, activity levels in the North Sea market improved.

Interest payable and similar charges

Interest payable and similar charges decreased to £10.5m from £10.7m in 2003 due to the absence of exceptional costs. Before exceptional costs, interest expense rose by 15.4% to £10.5m reflecting lower average debt levels but higher average interest rates following issue of the 12% senior secured notes in April 2004 and the recent rises in US dollar interest rates.

Taxation

The tax charge for the quarter of £5.8m (2003 - £2.3m) comprised a charge for current tax of £0.4m and a charge for deferred tax of £5.4m. The Group remains in a tax loss position in the UK for which it is unable to take benefit through its deferred tax charge 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 low.

Profit/(loss) before taxation

Profit on ordinary activities before taxation for the second quarter was £12.2m compared with the loss of £0.5m in 2003. Before goodwill amortisation and exceptional items, the profit before tax rose 51.6% at actual exchange rates to £14.4m (2003 - £9.5m) and by 71.3% at constant exchange rates. After taxation, there was a profit for the quarter of £6.4m compared to the loss of £2.8m in 2003.

Six month (to 31 October) results compared with prior year

	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	274.7	-	274.7	270.6	(1.2)	269.4
Staff costs	(86.7)	-	(86.7)	(87.9)	-	(87.9)
Other operating costs (net)	(98.6)	-	(98.6)	(97.8)	(3.2)	(101.0)
EBITDA*	89.4	-	89.4	84.9	(4.4)	80.5
Depreciation & amortisation	(48.6)	(4.4)	(53.0)	(54.7)	(7.4)	(62.1)
Operating profit	40.8	(4.4)	36.4	30.2	(11.8)	18.4
Interest payable	(20.7)	-	(20.7)	(19.1)	(7.8)	(26.9)
Profit/(loss) before taxation	20.1	(4.4)	15.7	11.1	(19.6)	(8.5)
Taxation	(9.3)	-	(9.3)	(6.6)	4.0	(2.6)
Profit/(loss) for the period	10.8	(4.4)	6.4	4.5	(15.6)	(11.1)

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

Turnover before exceptional items in the six months increased 8.8% at constant 2004 exchange rates to £274.7m and by 1.5% at actual rates due to the weak US dollar. EBITDA before exceptional items grew by 13.1% at constant exchange rates to £89.4m and by 5.3% at actual rates. Total EBITDA increased 11.1% at actual rates to £89.4m.

Operating profit broadly doubled to £36.4m. Before goodwill amortisation and exceptional items, operating profit increased 47.9% to £40.8m at constant exchange rates and by 35.1% 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	342.0	295.9	114.7	94.1	61.9	41.3
Sunbelt Rentals in £m	188.1	180.3	63.1	57.5	34.0	25.2
A-Plant	80.6	83.5	26.5	26.5	8.5	5.6
Ashtead Technology	6.0	6.8	2.9	3.6	1.4	2.1
Group central costs	-	-	(3.1)	(2.7)	(3.1)	(2.7)
	274.7	270.6	89.4	84.9	40.8	30.2

Sunbelt

Turnover increased 15.6% in the six months to \$342.0m. This performance was due to improved rental rates which grew approximately 7% over 2003, combined with higher equipment utilisation which rose from 67% a year ago to 72% and a fleet size which was broadly similar in both years. Growth was broadly based with all regions and all major product areas trading ahead of last year. The second quarter benefited by an estimated \$8m from additional work resulting from the aftermath of the Florida hurricanes. Operating costs (excluding depreciation and goodwill amortisation) rose 12.6% in the period to \$227.3m 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 and the overtime and other costs of servicing the high volume levels in Florida discussed above.

Reflecting these developments, EBITDA for the period grew 21.9% to \$114.7m and EBITDA margin improved to 33.5% from 31.8% in 2003. Divisional operating profit grew 49.9% to \$61.9m representing a margin of 18.1% (2003 - 14.0%). Sunbelt's results in sterling reflected the factors discussed above and the weak US dollar.

A-Plant

Turnover declined 3.5% to £80.6m in the period, reflecting the disposal of three non-core businesses during 2003/4. Excluding the effect of these disposals, turnover increased 3.6% over 2003 reflecting a fleet size which was approximately 5% smaller than in the equivalent period a year ago, a rise in utilisation to 66% this year from 60% in 2003 and rental rates which remained broadly constant. Operating costs (excluding depreciation and goodwill amortisation) decreased 5.1% to £54.1m reflecting the disposals and tight management. Consequently, despite the non-core business disposals, EBITDA for the six months was unchanged at £26.5m representing an EBITDA margin of 32.9% (2003 - 31.7%). Divisional operating profit grew 51.8% to £8.5m representing a margin of 10.5% (2003 - 6.7%).

Ashtead Technology

Turnover declined 11.8% to £6.0m at actual rates of exchange and by 7.9% at constant exchange rates. Divisional operating profit of £1.4m decreased 33.3% from £2.1m in 2003 at actual rates of exchange and by 30.6% at constant exchange rates. These results reflected growth in its onshore environmental rental businesses offset by slow offshore market conditions. Towards the end of the period, activity levels in the North Sea market improved.

Interest payable and similar charges

Interest payable and similar charges decreased to £20.7m from £26.9m in 2003 due to the absence of exceptional costs. Before exceptional costs, interest expense rose by 8.4% to £20.7m reflecting lower average debt levels but higher average interest rates following issue of the 12% senior secured notes in April 2004 and the recent rises in US dollar interest rates.

Taxation

The tax charge for the period of £9.3m (2003 - £2.6m) comprised a charge for current tax of £0.5m and a charge for deferred tax of £8.8m. The Group remains in a tax loss position in the UK for which it is unable to take benefit through its deferred tax charge 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 low.

Profit/(loss) before taxation

Profit on ordinary activities before taxation was £15.7m compared with the loss of £8.5m in 2003. Before goodwill amortisation and exceptional items, the profit before tax rose 81.1% at actual exchange rates to £20.1m (2003 - £11.1m) and by 113.9% at constant exchange rates. After taxation, the profit for the period of £6.4m compared to a loss of £11.1m in 2003.

Cash flow

Free cash flow in the six months and the second quarter ended 31 October 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:

	Three months to 31 October		Six months to 31 October	
	2004	2003	2004	2003
	£m	£m	£m	£m
EBITDA before exceptional items	49.5	46.1	89.4	84.9
Cash inflow from operations before exceptional items	44.7	43.0	75.5	80.9
*Cash efficiency ratio**	*90.3%*	*93.3%*	*84.5%*	*95.3%*
Maintenance capital expenditure	(25.9)	(27.9)	(50.4)	(50.8)
Proceeds from sale of used rental equipment	9.3	7.4	16.4	14.2
Tax paid	(0.3)	(0.6)	(0.6)	(0.2)
Free cash flow before interest	27.8	21.9	40.9	44.1
Interest paid (excluding exceptional interest)	(10.6)	(9.8)	(12.7)	(16.3)
Free cash flow after interest	17.2	12.1	28.2	27.8
Growth capital expenditure	(10.7)	-	(13.5)	-
Acquisitions and disposals	0.4	0.8	0.4	5.0
Exceptional costs	-	(4.6)	(3.7)	(10.2)
Reduction in total debt	6.9	8.3	11.4	22.6

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

Cash flow for the six months 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 six months. Principally due to this effect, cash inflow from operations declined 6.7% to £75.5m and the cash efficiency ratio was 84.5% (2003 – 95.3%).

After net maintenance capital expenditure of £34.0m (2003 - £36.6m) and tax, free cash flow before interest was £40.9m (2003- £44.1m). Interest payments were £12.7m reflecting the fact that the first interest payment on the senior secured notes was not due until the third quarter. After interest free cash flow was £28.2m (2003 - £27.8m). This free cash flow was applied:

1. to pay £13.5m 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 £11.4m.

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	(10.0)	(10.9)	(22.2)	(23.9)
Additions at cost	60.5	63.3	34.2	37.6
Disposals at net book value	(12.3)	(13.0)	(16.0)	(17.6)
Depreciation – excluding impairment	(44.3)	(48.6)	(50.3)	(54.7)
– UK refocusing programme	-	-	(2.9)	(2.9)
Closing balance	463.6	526.3	520.3	590.0

Capital expenditure increased 68% at actual rates to £63.3m in 2004 as the Group increased expenditure in improving market conditions. At constant exchange rates the increase was 74%. Expenditure on rental equipment was 96% of total capital expenditure. Capital expenditure by division was as follows:

	2004			2003
	Growth	Maintenance	Total	Total
Sunbelt Rentals in $m	24.3	40.8	65.1	24.7
Sunbelt Rentals in £m	13.3	22.2	35.5	14.6
A-Plant	3.4	19.6	23.0	18.1
Ashtead Technology	1.5	0.5	2.0	1.5
Total rental equipment	18.2	42.3	60.5	34.2
Other fixed assets			2.8	3.4
Total additions			63.3	37.6

As market conditions in the US improve the Group has returned to the position where a proportion (30.1% in the six months) 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 October 2004 was 46 months on a net book value basis. This was unchanged from the equivalent figure at 30 April 2004. At 31 October, Sunbelt's fleet had an average age of 48 months (60 months for aerial work platforms which have a longer life and 33 months for the remainder of its fleet) and A-Plant's fleet had an average age of 41 months.

In light of the positive trading trends in Sunbelt and the Group's strong cash performance, as well as the greater flexibility on capital expenditure levels permitted under the new first priority senior debt facility discussed further below, gross capital expenditure for the current financial year is now expected to be in the region of £120m - £130m as opposed to the previous guidance of £100m - £105m.

Trade debtors subject to non-recourse financing

Trade debtors subject to non-recourse financing increased 0.8% at actual rates to £88.9m in 2004 but increased by 5.3% at constant rates. Debtor days improved by 7.3% to 51 days (2003 - 55 days).

Trade and other creditors

Group creditor days decreased to 63 days at 31 October 2004 from 82 days at 31 October 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 October 2004 totalled £20.3m (2003 - £19.8m). Payment periods for purchases other than rental equipment remain at between 30 and 60 days.

Net debt

	31 October		30 April
	2004	2003	2004
	£m	£m	£m
First priority senior secured bank debt and overdraft	217.8	394.4	226.1
Finance lease obligations	7.8	16.4	12.1
12% second priority senior secured notes, due 2014	115.7	-	115.6
5.25% unsecured convertible loan note, due 2008	130.9	130.2	130.6
	472.2	541.0	484.4
Cash at bank and in hand	(17.2)	(18.8)	(9.9)
	455.0	522.2	474.5
Non-recourse finance received under debtors securitisation	54.4	53.3	52.2
	509.4	575.5	526.7

At 31 October 2004 total net debt which the Group defines to include non-recourse funding received under the debtors securitisation was £509.4m (31 October 2003 - £575.5m) with the reduction being due to a combination of cash generation and the weak US dollar. Measured at constant (31 October 2004) exchange rates, the reduction in total net debt since 31 October last year was £38.4m and £10.2m in the six months since 30 April 2004.

On 12 November the existing first priority senior secured bank debt facility and the non-recourse finance received under the accounts receivable securitisation were repaid utilising drawings under the Group's new $675m five year, asset-based first priority asset based senior debt facility (the "new facility"). Standard & Poors has assigned a BB- long-term rating (stable outlook) and Moody's a B1 (stable outlook) rating to the new facility.

The new facility consists of a US$400m revolving credit facility and a US$275m term loan and, as was the case with the facility repaid, is secured by substantially all of the Group's assets. Initial pricing is LIBOR plus 275bp for the revolver and LIBOR plus 250bp for the term loan. The initial pricing will be adjusted based on the ratio of funded debt to EBITDA according to a grid which varies between LIBOR plus 300bp and LIBOR plus 225bp allowing the Company to benefit from its anticipated future de-leveraging.

The average initial interest rate payable under the new facility is LIBOR plus 260bp, significantly less than the average of LIBOR plus 390bp payable under the facilities replaced. In addition the upfront underwriting and legal costs of the new facility will be amortised over its five-year life leading to an annual charge included within interest of approximately 75bp.

The new facility carries minimal amortisation of 1% per annum ($2.75m) on the term loan and is committed for five years until November 2009 subject only to the Company's £134m convertible subordinated loan note being refinanced prior to November 2007. Closing of the new facility means that the Group has now refinanced approximately 75% of its debt in 2004 and has extended its debt maturities to a current average of 5.5 years.

Pro forma available liquidity at 31 October 2004 was £63m ($116m). As the new facility is asset-based, the maximum amount available to be borrowed (which includes drawings in the form of standby letters of credit) depends on asset values (receivables, inventory, rental equipment and real estate) which are subject to periodic independent appraisal. The maximum amount which could be drawn at closing was $632m but this amount can rise up to the $675m facility limit as additional assets are purchased during the life of the facility.

The new facility includes a springing covenant package under which quarterly financial performance covenants are only tested if available liquidity is less than US $50 million. Accordingly the conclusion of the refinancing, together with the fact that neither of the Group's other debt lines (the senior secured notes due 2014 and the convertible subordinated notes due 2008) contain regularly measured financial covenants, means that the Group does not currently have any quarterly monitored financial performance covenants to adhere to.

Additionally whilst the new facility does contain annual limits on maximum capital expenditure the level of these is significantly higher than those in the existing facility. The new limits, which are measured only at year-end, are based on net capital expenditure (gross capital expenditure less disposal proceeds) and amount to £125 million for the year ending 30 April 2005 and £150 million for the year ending 30 April 2006.

Operating statistics	Profit centre numbers			Staff numbers		
	31 October		30 April	31 October		30 April
	2004	2003	2004	2004	2003	2004
Sunbelt Rentals	200	199	200	3,902	3,765	3,697
A-Plant	225	231	220	2,029	2,198	2,043
Ashtead Technology	10	8	9	81	76	79
Corporate office	-	-	-	15	12	14
Group	435	438	429	6,027	6,051	5,833

INDEPENDENT REVIEW REPORT TO ASHTEAD GROUP PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 October 2004 which comprises the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 10 and excludes the financial information for the three months ended 31 October 2004. 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.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

Review work performed

We conducted our review in accordance with the 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 accounting policies and presentation have been consistently applied unless otherwise disclosed. 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 performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

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 31 October 2004.

Deloitte & Touche LLP
Chartered Accountants
London
15 December 2004