Ashtead Group plc

Annual report and accounts
for the year ended 30 April 2004

ASHTEAD
GROUP
PLC

Ashtead Group plc

Amongst the world's leading equipment outsourcers, today, Ashtead has over 425 branches principally in the US and the UK, offering customers a wide range of equipment. Its diversified customer base includes construction, industrial and homeowner customers as well as government entities and specialist contractors.

"**The Group has made significant progress in the past year**. Financial stability has been achieved through the extension of our banking facilities to September 2007 and the issue of our ten year bond. Sunbelt, our US business, achieved divisional operating profit growth in dollars of over 40% and continued to take market share in improving trading conditions. Following the completion of its refocusing programme in January 2004, we have seen encouraging signs of an improvement in the trading performance of A-Plant, our UK business. We are looking to build on this momentum in the coming year."

George Burnett, Chief Executive

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Highlights

- 42% growth in Sunbelt's full year divisional operating profit* to $73.3m (2003 – $51.5m) reflecting improved operating conditions in the US. Sunbelt's fourth quarter profit was $20.2m (2003 – $3.0m).
- A-Plant's full year divisional operating profit* reduced to £4.0m (2003 – £7.9m) reflecting difficult trading during its refocusing programme which was completed in January. Since then its fourth quarter profit improved to £1.5m (2003 – loss of £2.4m).
- Full year Group EBITDA before exceptional items of £147.0m, up 4% at constant exchange rates. Fourth quarter EBITDA on the same basis of £35.0m, up 45% at constant rates.
- Full year Group profit before exceptional items, goodwill amortisation and tax of £7.6m (2003 – £1.8m loss). For the fourth quarter, the profit on the same basis was £3.1m (2003 – £10.6m loss).
- Full year loss before tax of £33.1m (2003 – £42.2m loss) and after tax loss per share of 10.8p (2003 – 10.3p loss per share) reflecting goodwill amortisation of £9.2m and exceptional charges of £31.5m. Of these, £20.6m related to one time refinancing costs and the balance was mostly non-cash.
- Net free cash inflow** for the year of £56.6m up 46% from £38.9m in 2003.
- Net debt*** at 30 April of £526.7m, £95.6m lower than last year's £622.3m. At constant exchange rates, net debt reduced by £53.6m in the year.

* Divisional operating profit is defined as the operating profit before exceptional items and goodwill amortisation of our divisions (page 28).
** Net cash inflow from operating activities before exceptional items, less interest paid, net capital expenditure and tax (page 31).
*** Debt plus non-recourse funding received under the accounts receivable securitisation less cash at bank and in hand (page 34).

The Group at a glance

Ashtead comprises three distinct divisions: **Sunbelt**, the fourth largest equipment rental company in the US; **A-Plant**, the UK's third largest equipment rental company; and **Ashtead Technology**, a niche business, renting specialised electronic underwater survey and inspection equipment as well as remote visual inspection and environmental testing equipment.

Sunbelt

Sunbelt is the fourth largest equipment rental business in the fragmented US market, and continues to increase its market share. Stretching from coast to coast, Sunbelt has 200 rental locations offering a broad range of both general and specialised equipment supported by the best customer service available.

Cliff Miller *President & Chief Executive*

Business overview

Sunbelt serves the construction and industrial marketplace – from commercial, residential, municipal and service industries to specialised sectors such as emergency response. Sunbelt's clustering of strategically positioned locations, in and around 17 large metropolitan areas, as well as conveniently located stores in smaller markets, ensure customers receive the highest level of service and equipment availability.

A-Plant

A-Plant is the UK's third largest equipment rental company providing its customers with a full range of equipment from 220 locations nationwide. Following a period of consolidation, A-Plant is now well positioned for future growth.

Sat Dhaiwal *Chief Executive*

Business overview

Through its three national business units, Main Plant, Tool Hire Shops and Specialist Businesses, A-Plant is able to respond to all its customers' needs, wherever they arise. Its breadth of product and national scale has enabled it to become a preferred supplier to most of the UK's largest contractors.

Ashtead Technology

Ashtead Technology rents specialised electronic equipment to the offshore oil and gas sectors and the environmental monitoring and testing industry from eight locations in the UK, the US, Canada and Singapore.

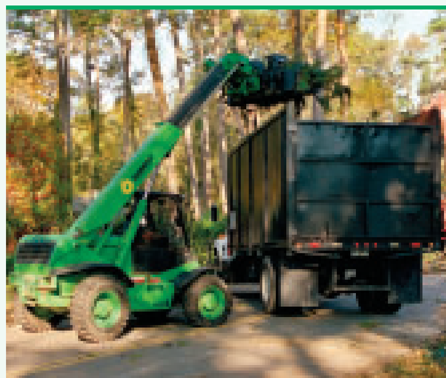
Rob Phillips *Chief Executive*

Business overview

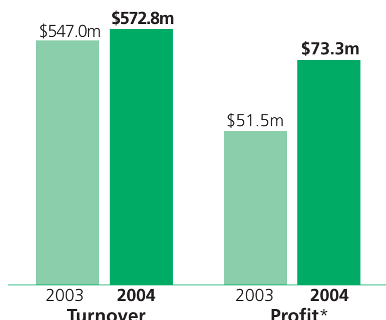
We have achieved a leadership position in the offshore and inspection industry through offering one of the widest selections of products available from one source in the industry. We are also expanding outside the oil and gas industries into the onshore non-destructive testing and remote visual inspection equipment markets. We believe our environmental business will also play an increasingly important role.

We supply rental equipment to a wide spectrum of customers, including:

- Commercial construction
- Environmental engineers
- Infrastructure maintenance and development
- Local and national government
- Manufacturing and service industries
- Rail maintenance
- Residential construction
- Small contractors/homeowners
- Specialist contractors
- Telecommunications
- Utilities

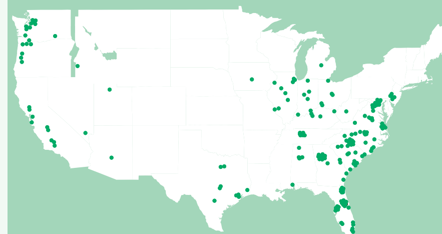


Sunbelt

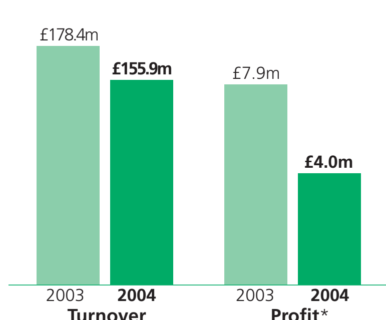


Locations

*200 throughout the **US***

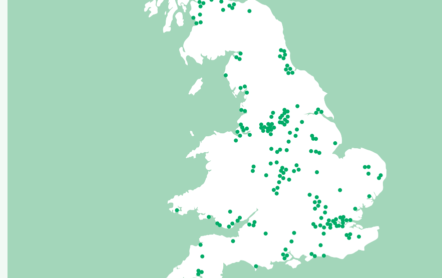


A-Plant

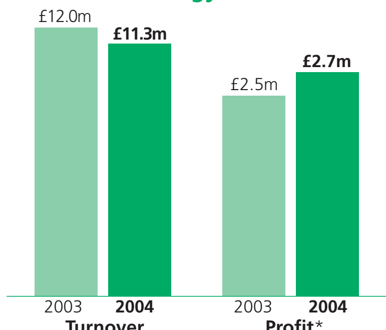


Locations

*220 throughout the **UK***

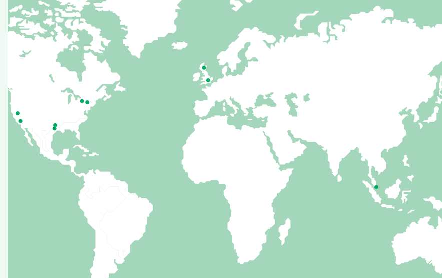


Ashtead Technology



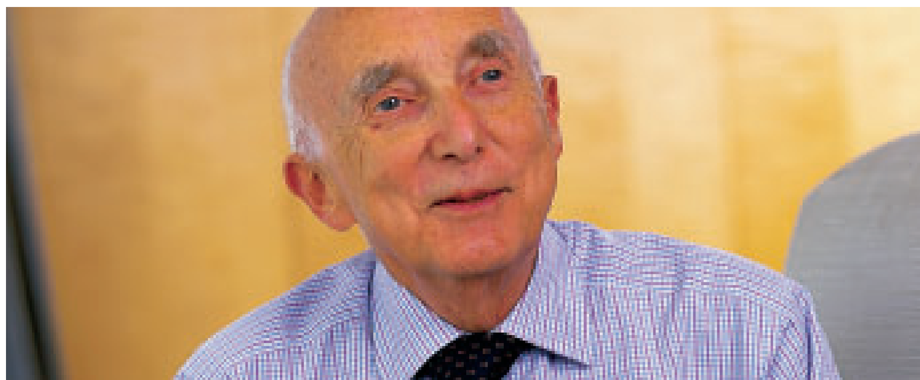
Locations

*9 **UK**, **US**, **Canada** and **Singapore***



* Operating profit before goodwill amortisation and exceptional items.

Chairman's report



Cob Stenham
Chairman

The year ended 30 April 2004 was a challenging year for the Company. It ended, however, with the Company having significantly improved its financial condition through the issue of the senior secured notes due 2014 and the extension of its senior debt maturities until September 2007 and with signs of improvement in its trading performance.

Much of your Board's time this year and my time since I joined the Board in November 2003 has been spent on securing the future of the Company and in ensuring that the interests of all stakeholders in the Company – especially its shareholders, lenders, customers, suppliers and employees – were appropriately considered in our plans.

The past year has seen many challenges but the success of Sunbelt's management team in overcoming their March 2003 accounting issues, absorbing the changes in their team which followed and then, boosted by recovering markets, delivering a significantly improved divisional operating profit performance, has provided a solid base on which the Group can build for the future. Reflecting this, Cliff Miller's appointment as a director of the Company and as chief executive of Sunbelt re-establishes Sunbelt's direct participation on the Board. I am pleased to be able to congratulate Cliff on his appointment and we look forward to his participation in future Board discussion.

In A-Plant there has also been significant change and, whilst the financial performance of this business for the year just ended remained disappointing, the measures taken, more fully described in the Chief Executive's review that follows, now provide an opportunity for improvement.

The loss before tax for the year was £33.1m (2003 – £42.2m). This reflected substantial exceptional items connected principally with the default and the subsequent refinancing. Before exceptional items and goodwill amortisation, there was a profit for the year of £7.6m (2003 – loss of £1.8m).

As well as the Board, the Audit Committee has had a full year and I was very pleased that Hugh Etheridge was able to join the Company in January as a non-executive director and take up the chairmanship of this committee. It has considered the reports and recommendations from the Group's outsourced internal auditors in detail and satisfied itself that management had addressed these appropriately. It also liaised closely with our new independent auditors.

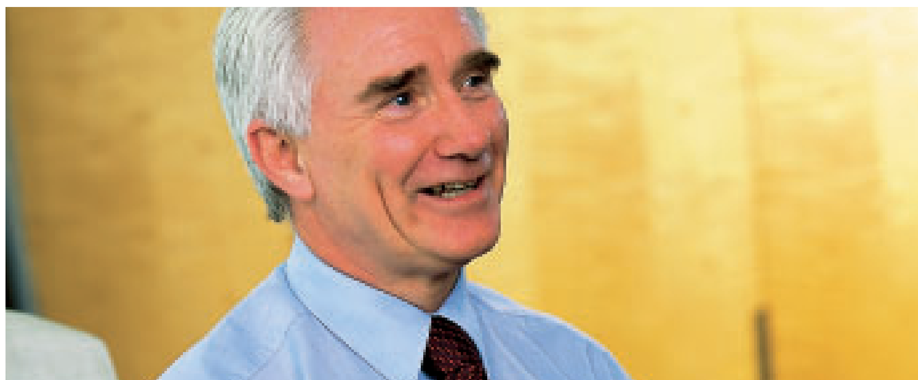
Other changes in the Board in the past year include the departure at the end of February of my predecessor as chairman, Henry Staunton to enable him to concentrate more fully on the demands of his new executive role at ITV plc. Henry successfully chaired the Board through a challenging period whilst also holding a full time executive role elsewhere. His experience and guidance were most valuable and we are extremely grateful. Alan Wheatley, former deputy chairman and senior independent non-executive director, also retired last September having been on the Board for many years and, although we did not serve together, it is appropriate that I record our thanks to him as well as to all our non-executive directors for their work on the Company's behalf.

Although much remains to be done, George Burnett and his executive team deserve to be congratulated for their achievements over the past year. We also have great employees in the Company and I should like to thank them all for their efforts in the past year.

As to the future, your Board intends to focus on the Group's operational and financial management in the coming year in order to improve market share, operating margins and return on capital employed, particularly in the UK. We look forward to the year ending 30 April 2005 with guarded optimism.

Cob Stenham
Chairman
5 July 2004

Chief Executive's review



George Burnett
Chief Executive

Overview

The Group closed its year to 30 April 2004 with a strong last quarter performance. Operating profit before exceptional items and goodwill amortisation for the quarter was £12.0m compared with a loss of £0.8m in the previous year and the profit before exceptional items, goodwill amortisation and tax for the quarter was £3.1m (2003 – loss of £10.6m). There were particularly encouraging figures for both Sunbelt, the Group's US division, where dollar revenues grew by 13.8% and divisional operating profits increased from $3.0m to $20.2m (£1.8m to £11.0m in sterling terms) and for A-Plant whose divisional operating profit was £1.5m compared with a loss of £2.4m in the previous year.

For the full year to 30 April 2004, Group profits before exceptional items, goodwill amortisation and tax were £7.6m (2003 – loss of £1.8m). At constant exchange rates profits would have been 33.5% higher at £10.1m. Turnover before exceptional items, which declined by 1.6% at constant exchange rates, was further reduced at actual exchange rates by the weakness of the dollar to £500.3m (2003 – £539.5m), a 7.3% decline.

The Group, which started the year in default with its bankers, ended with the achievement of financial stability through the closing of our ten year bond issue in April and the extension of our facilities with existing banks until the end of September 2007. Significant exceptional costs were incurred in this process contributing to the FRS 3 loss before tax of £33.1m (2003 – £42.2m loss).

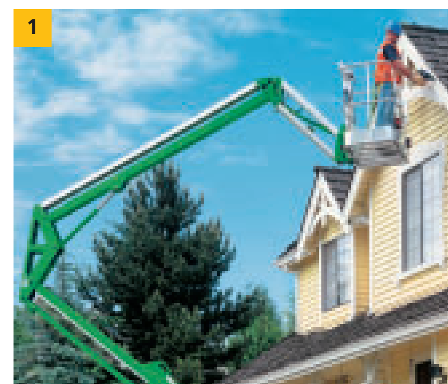
Review of trading

	Turnover*		EBITDA*		Divisional operating profit**	
	2004	2003	**2004**	2003	**2004**	2003
Sunbelt in $m	**572.8**	547.0	**176.8**	155.5	**73.3**	51.5
Sunbelt in £m	**333.1**	349.1	**102.8**	99.3	**42.4**	32.9
A-Plant	**155.9**	178.4	**43.2**	48.9	**4.0**	7.9
Ashtead Technology	**11.3**	12.0	**5.7**	6.1	**2.7**	2.5
Group central costs	**–**	–	**(4.7)**	(4.2)	**(4.9)**	(4.2)
	500.3	539.5	**147.0**	150.1	**44.2**	39.1

* Before exceptional items. ** Operating profit before goodwill amortisation and exceptional items.

Sunbelt

Sunbelt enjoyed a strong recovery in the year with dollar revenues up $25.8m or 4.7% to $572.8m. Tight control of costs maximised the benefits of operational gearing so that $21.8m of the increased revenue fell to the bottom line. As a result divisional operating profit was up 42.3% to $73.3m (2003 – $51.5m).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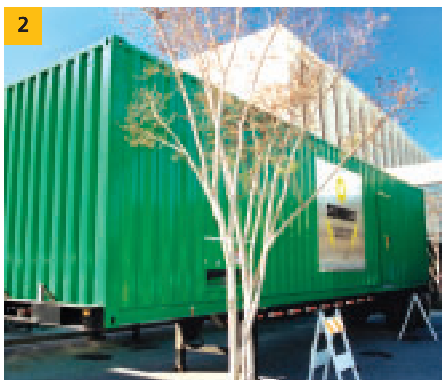
Although the weakness of the dollar transformed the 4.7% increase in dollar revenues into a 4.6% decline in sterling,

Chief Executive's review



divisional operating profits in sterling were still up 28.9%. EBITDA margins improved from 28.4% to 30.9% and operating margins from 9.4% to 12.8%.

Utilisation levels, which in the first half had trailed the previous year, averaged 65.1% for the year as a whole, compared with 64.5% in the previous year, thanks to a strong last quarter. Rental rates improved with an estimated uplift of 4% for the year as a whole. As the year progressed and the US economy strengthened there was also evidence of accelerating recovery in the non-residential construction market, Sunbelt's principal customer base, and in the equipment rental market itself. This coupled with improved utilisation and pricing produced year on year growth in total quarterly revenues of -1.0%, +3.2%, +4.0% and +13.8% over the four quarters indicating that Sunbelt continued to take market share.

Capital expenditure in the year was kept under tight control, with fleet investment being largely matched with disposals in a market where improving second hand pricing gave further evidence of economic recovery. There were three new profit centre openings in the year bringing the total number to 200.

A-Plant

For A-Plant the past year was one of transition as its business refocusing programme was completed. Three non-core activities were disposed of – Mast Climbing, Big Air and its businesses in Ireland. In addition the final stages of the move from five geographic regions to three product focused divisions, Main Plant, Specialist and Tool Hire Shops, was put in place. These changes, coupled with the network rationalisation begun in 2003 under which over 20 profit centres have been closed, contributed to a 12.6% decline in turnover to £155.9m. Same store turnover was down 5.3% in the year. Costs excluding exceptional items and amortisation were reduced by 10.9% so that the £22.5m turnover decline was restricted to a £3.9m reduction in divisional operating profit to £4.0m.

A-Plant enjoyed a much improved fourth quarter. Same store turnover was almost in line with last year (down 0.9%) and utilisation rates, which for the year as a whole averaged 59.9% compared with 60.7% in the previous year, were 63.6% in the last quarter, significantly above the comparable 2003 figure of 59.6%.
As mentioned above, divisional operating profit for the quarter was £1.5m (prior year loss £2.4m).

1. ***A 34' towable manlift*** *operated by a residential contractor.*
2. ***One of Sunbelt's 1500 kw generators*** *providing back-up power at Richmond Memorial Hospital, in Columbia, S.C.*
3. ***Tool Hire Shops' fleet*** *of new delivery vans.*
4. ***Powered access equipment****, Canary Wharf, London.*
5. *Richard Dey, Managing Director of Tool Hire Shops (left) and Sat Dhaiwal, A-Plant CEO (right) with Carl Tidey, profit centre manager of the Derby South Tool Hire Shop (centre), winner of A-Plant Profit Centre of the Year, 2003/4.*
6. *Cliff Miller, Sunbelt President & CEO (centre right) with Brendan Horgan, COO (left), Chuck Miller, EVP Operational Support (right) and Don Furr, profit centre manager of the Maryland Pump and Power profit centre (centre left) and winner of Sunbelt Profit Centre of the Year, 2003/4.*

Ashtead Technology – Offshore and Environmental

Ashtead Technology achieved an 8.0% improvement in its divisional operating profit in the year to 30 April 2004 despite difficult trading in many of its markets. Tight cost controls saw operating margins increase to 23.9% from 20.8% in 2003. The US businesses, both offshore and environmental, saw growth in the year and a new environmental profit centre was opened in the San Francisco area. Since the year end the first such business in the UK has been opened in Hitchin and there are further planned openings in Atlanta and Chicago in the coming 12 months.

Interest and exceptional items

Interest costs before exceptional items declined to £36.6m (2003 – £40.9m) reflecting lower average borrowings and the weakness of the US dollar. Exceptional items totalled £31.5m and principally related to costs incurred in connection with the extension of the maturity of the Company's senior debt facilities.

Cash flow

The Group continued to generate strong cash flow. Net free cash inflow (as defined) for the year was £56.6m up 45.5% from £38.9m in the previous year. Net debt was reduced by £95.6m reflecting this cash generation and the weakness of the dollar. At constant exchange rates the reduction was £53.6m.

Capital expenditure during the year was reduced in line with market conditions. The total for the year was £72.3m (2003 – £85.5m) of which £64.1m (2003 – £71.0m) was spent on the rental fleet. It is anticipated that capital expenditure in the coming year will rise to approximately £100m, in line with the depreciation charge. The average age of the Group's fleet at 30 April 2004 was 46 months (43 months in the UK and 48 months in total for the US but, when the longer-life aerial work platform fleet is excluded, the average fleet age for the rest of the US fleet reduces to 35 months). Profits on disposal of fixed assets were £6.2m up from £3.0m in the previous year.

Current trading and outlook

The improving turnover performance, seen in the last quarter of the financial year, continued in the months of May and June. Sunbelt's dollar revenues grew 10.9% while A-Plant achieved like for like growth of 2.4%.

While a further weakening of the US dollar and the prospect of higher interest rates could have some negative impact, the Board is encouraged by the improving trends in its businesses and in the markets in which they operate, and believes that further progress should be achieved in the coming year.

George Burnett
Chief Executive
5 July 2004

Directors

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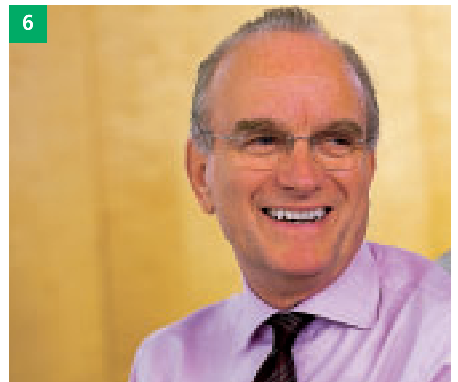

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1 **Cob Stenham** ***BA, FCA***
Non-executive Chairman
Aged 72, Cob Stenham has served as non-executive Chairman since 1 January 2004, as Chairman of the Nominations Committee since 12 January 2004 and as a director since 27 October 2003. Mr Stenham also serves as Chairman of Telewest Communications plc and Telewest Global Inc. and as non-executive director of Hebridean Cruises plc, Whatsonwhen (non-executive Chairman), Management Consulting Group plc, Cambridge Place Investment Management and Ifonline Group plc (non-executive Chairman).

2 **George Burnett** ***MA, LLB, CA***
Chief Executive
Aged 57, George Burnett, has served as Chief Executive since February 2000 and as one of our directors since May 1984. Prior to February 2000, Mr Burnett served as our Managing Director for 16 years. Mr Burnett also serves as a non-executive director of Henderson Strata Investments plc and as Chairman of the Governors of the Surrey Institute of Art and Design, University College. Overall, Mr Burnett has over 26 years experience in the equipment rental business. George Burnett is Chairman of the Finance and Administration Committee and a member of the Nominations Committee.

3 **Ian Robson** ***BSc, FCA***
Finance Director
Aged 45, Ian Robson has served as Finance Director and as one of our directors since June 2000. Prior to June 2000, Mr Robson served for four years in a series of senior financial positions at Reuters Group plc. Prior to joining Reuters Group plc, Mr Robson served for four years as a partner at Price Waterhouse (now PricewaterhouseCoopers LLP). Ian Robson is a member of the Finance and Administration Committee.

4 **Cliff Miller**
President & Chief Executive Officer, Sunbelt
Aged 40, Cliff Miller was appointed President and Chief Executive Officer of Sunbelt and as one of our directors effective 5 July 2004. Cliff Miller has more than 20 years of experience in the rental industry and joined the Group in 1996 with the acquisition of Maclean Rentals. From that time until 2003 he was Vice President responsible for Sunbelt's North-Eastern division. Since August 2003 he has been one of two Executive Vice Presidents responsible for all of Sunbelt's front line operations.

5 **Sat Dhaiwal**
Chief Executive Officer, A-Plant
Aged 35, Sat Dhaiwal has served as Chief Executive Officer of A-Plant and as one of our directors since March 2002. Mr Dhaiwal served as Managing Director of A-Plant East, one of A-Plant's four operational regions, from May 1998 to March 2002. Mr Dhaiwal served as an A-Plant trading director from 1995 until his appointment as Managing Director of A-Plant East and, prior to 1995, he served as a manager of one of A-Plant's profit centres. Mr Dhaiwal has over 20 years experience in the equipment rental industry.

6 **Chris Cole** ***C.Eng, FCIBSE***
Senior independent non-executive director
Aged 57, Chris Cole has served as a director and as a member of the Audit, Nominations and Remuneration Committees since January 2002. He was appointed Chairman of the Remuneration Committee on 22 September 2003 and became the senior independent non-executive director from the same date. Mr Cole also serves as Chief Executive Officer of WSP Group plc.

7 **Hugh Etheridge** ***FCA, MCT***
Independent non-executive director
Aged 54, Hugh Etheridge joined the Board on 1 January 2004 and has been a member of the Audit, Remuneration and Nominations Committees since 12 January 2004. He was also appointed Chairman of the Audit Committee on 12 January 2004. Mr Etheridge currently serves as Chief Financial Officer of the Waste and Resources Action Programme, a non-profit organisation established by the UK Government to promote sustainable waste management. Mr Etheridge formerly served as finance director of Waste Recycling Group plc and, prior to that, of Matthew Clark plc.

8 **Philip Lovegrove,** ***OBE, LLM***
Non-executive director
Aged 66, Philip Lovegrove has served as a director since 1984 and is a member of the Nominations Committee. Mr Lovegrove also serves as Chairman of VTR plc, Chairman of Stanelco plc and as a director of Fiske plc.

Details of the directors' contracts, emoluments and share interests can be found in the directors' remuneration report.

Senior management

Sunbelt
Brendan Horgan
Kurt Kenkel
Charles Miller
Randy Nelson
Earl Rose
Brian Tate
Suzanne Wood

A-Plant
Richard Dey
Tony Durant
Paul Fereday
Gary Thompson
Richard Winfield

Ashtead Technology Rentals
Rob Phillips
Iain Guthrie
Peter Simpson

Corporate
Michael Pratt

Advisers

Auditors
Deloitte & Touche LLP
Hill House
1 Little New Street
London
EC4A 3TR

Financial advisers
JPMorgan
10 Aldermanbury
London
EC2V 7RF

Close Brothers Corporate Finance
10 Crown Place
Clifton Street
London
EC2A 2FT

Principal bankers
Lloyds TSB Bank plc
25 Gresham Street
London
EC2V 7HN

Bank of America
5 Canada Square
London
E14 5AQ

Bank of America
100 North Tryon Street
Charlotte, NC 28255

Solicitors
Slaughter and May
One Bunhill Row
London
E1Y 8YY

Speechly Bircham
6 St Andrew Street
London
EC4A 3LX

Parker, Poe, Adams & Bernstein LLP
Three First Union Center
401 South Tryon Street
Charlotte, NC 28202

Brokers
Panmure Gordon
50 Stratton Street
London
W1J 8LL

Registrars & Transfer Office
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

Financial PR advisers
Tulchan Communications Group plc
Sixth Floor
Kildare House
3 Dorset Rise
London
EC4Y 8EN

Key financial dates

2004 Annual General Meeting
20 September 2004

Quarter 1 results' release
20 September 2004

Quarter 2 results' release
Mid December 2004

Quarter 3 results' release
Late March 2005

Quarter 4 and 2005 full year results' release
Early July 2005

Registered office
King's Court
41-51 Kingston Road
Leatherhead
Surrey
KT22 7AP
Tel: +44 (0) 1372 362300

Registered Number: 1807982

Directors' report

The directors present their report and the audited accounts for the financial year ended 30 April 2004.

Principal activities

The principal activity of the Company is that of an investment holding and management company. The principal activity of the Group is the rental of equipment to industrial and commercial users.

Trading results and dividends

The Group's consolidated loss before taxation for the year was £33.1m (2003 – loss of £42.2m). A review of the Group's performance is given on pages 22 to 35. The directors do not recommend the payment of a final dividend and recommend that the retained loss of £34.8m be transferred from reserves.

Share capital

The following shareholders have notified the directors that they hold or are beneficially interested in 3% or more of the Company's ordinary share capital as set out below:

	At 5 July %
Scottish Widows Investment Partnership	6.1
JM Harvey	5.4
AIM Funds Management Inc	5.0
Goldman Sachs Group, Inc	4.1
Legal & General	3.9
Investeringsselskabet Luxor A/S	3.4
AEGON Asset Management UK	3.2

Details of directors' interests in the Company's ordinary share capital and in options over that share capital are given in the directors' remuneration report on pages 16 to 21.

Share option schemes

At 30 April 2004 the following shares were subject to option:

Discretionary schemes

	Number of shares	Option price per share
Exercisable between 26 August 1997 and 26 August 2004	887,290	61.440p
Exercisable between 27 September 1998 and 27 September 2005	980,344	72.535p
Exercisable between 27 February 2000 and 27 February 2007	286,000	134.665p
Exercisable between 27 February 2000 and 27 February 2007	1,053,200	132.250p
Exercisable between 3 February 2001 and 3 February 2008	235,700	191.200p
Exercisable between 5 February 2001 and 5 February 2008	1,918,000	184.200p
Exercisable between 5 January 1998 and 5 January 2005*	1,124	170.370p
Exercisable between 24 February 2002 and 24 February 2009	348,450	177.830p
Exercisable between 26 February 2002 and 26 February 2009	901,450	172.500p
Exercisable between 22 February 2003 and 22 February 2010	803,000	102.000p
Exercisable between 8 March 2003 and 8 March 2010	265,500	101.840p
Exercisable between 8 August 2003 and 8 August 2010	745,500	102.500p
Exercisable between 16 August 2003 and 16 August 2010	29,500	101.670p
Exercisable between 9 February 2004 and 9 February 2011	2,639,360	125.000p
Exercisable between 26 February 2004 and 26 February 2011	372,750	124.500p
Exercisable between 26 February 2005 and 26 February 2012	3,431,500	41.500p
Exercisable between 2 August 2005 and 2 August 2012	400,000	49.500p
	15,298,668	

SAYE scheme

Exercisable between 1 April and 30 September 2004 (5 year contract)	10,860	133.600p
Exercisable between 1 April and 30 September 2005 (5 year contract)	73,016	81.340p
Exercisable between 1 April and 30 September 2004 (3 year contract)	31,464	94.800p
Exercisable between 1 April and 30 September 2006 (5 year contract)	24,920	94.800p
Exercisable between 1 April and 30 September 2005 (3 year contract)	485,008	41.600p
Exercisable between 1 April and 30 September 2007 (5 year contract)	177,423	41.600p
Exercisable between 1 May and 31 October 2006 (3 year contract)	1,595,494	24.270p
Exercisable between 1 May and 31 October 2008 (5 year contract)	1,012,091	24.270p
	3,410,276	

* These options result from the rolling over of options under the Sheriff Holdings share option schemes into options under the Company's schemes.

Directors' report

Employees

The total number of employees worldwide of the Group at 30 April 2004 was 5,833.

The Group makes every reasonable effort to give disabled applicants, and existing employees becoming disabled, opportunities for work, training and career development in keeping with their aptitudes and abilities. The Group is an equal opportunities employer.

The Group has taken action consistently through the year to maintain and develop arrangements aimed at involving employees in its affairs. For example, monthly meetings are held at profit centres to discuss the previous month's performance. The Group has a positive approach to health and safety at work and to compliance with the law and the requirements of the regulatory bodies in both the UK and the US. A copy of the relevant formal statement of the Group's policy on health and safety is on display at profit centres in the UK and the US.

The Group encourages employees to become shareholders through discretionary and SAYE share option schemes. Details of options outstanding under these schemes are set out on page 11.

Directors and directors' insurance

Details of the directors of the Company are given on pages 8 and 9. The Company has maintained insurance throughout the year to cover all directors against liabilities in relation to the Company and its subsidiary undertakings.

Future developments

The Group seeks to develop by expansion of its activities in equipment rental.

Policy on payment of suppliers

Suppliers are paid in accordance with the individual payment terms agreed with each of them. The number of Group creditor days at 30 April 2004 was 81 days (30 April 2003 – 162 days on a comparable basis) which reflects the terms agreed with individual suppliers. There were no trade creditors in the Company's balance sheet at any time during the past two years.

Political and charitable donations

Charitable donations in the year amounted to £33,800 in total (2003 – £1,250). No political donations were made in either year.

Environmental report

The Group, through its equipment purchasing policies, maintenance programmes and environmental monitoring practices, endeavours to ensure that its trading activities have as little adverse impact on the environment as it is possible to achieve. In pursuit of this ideal, the Group has developed environmental management processes which are designed to ensure:

- compliance with relevant legislation;
- removal of potential causes of environmental damage where practicable; and
- continuous reduction in environmental impact through monitoring and corrective action.

The Group's continued investment in its rental fleet, along with its maintenance programmes, minimises both pollution to the atmosphere and accidental contamination. The facilities the Group maintains throughout its profit centre network enable waste to be disposed of correctly, bulk fuels to be stored safely and fleet cleaning and maintenance to be carried out efficiently.

Group companies have documented procedures at profit centre level for fleet maintenance, removal of waste from customers' sites back to Company premises for safe disposal as well as contractual arrangements for the disposal of all major waste products.

The Group's internal operational audit teams measure and monitor environmental performance and control measures at profit centres as part of their rolling audit programme and report their findings to senior operational management.

Auditors

The Board decided to appoint Deloitte & Touche LLP as auditors to the Company. Accordingly, PricewaterhouseCoopers LLP resigned on 23 March 2004 and Deloitte & Touche LLP was appointed by the directors on the same day.

Deloitte & Touche LLP has indicated its willingness to continue in office and a resolution concerning their re-appointment and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at 11.30 am on Monday 20 September 2004. For ordinary shareholders, a separate Notice of Annual General Meeting, which includes an explanation of the proposed resolutions, will be mailed separately in advance of the meeting.

By Order of the Board

Ian Robson
Finance Director
5 July 2004

Corporate governance report

Introduction

The Company is committed to maintaining high standards of corporate governance. The Board recognises that it is accountable to the Company's shareholders for corporate governance and this statement describes how the relevant principles have been practised by the Company.

The Company complied throughout the year with the provisions of corporate governance set out in Section 1 of the Combined Code on Corporate Governance save that at the beginning of the year the service contracts of Mr Burnett and Mr Dressel provided for either notice periods in excess of one year or pre-determined compensation in excess of one year's salary. Mr Dressel's contract was terminated on 29 July 2003 and Mr Burnett signed a new contract on 18 September 2003, under which his notice period was reduced to one year.

Therefore, since 18 September 2003, the Company has complied fully with all the provisions of corporate governance set out in Section 1 of the Combined Code.

The Board is evaluating the principles of the revised Combined Code issued in July 2003 which will apply to the Company in respect of the year ending 30 April 2005. The Board aims to report substantial compliance throughout 2004/5 in its next annual report to shareholders.

The Board

The Company's Board comprises the non-executive chairman, the chief executive, the finance director, the executive heads of Sunbelt and A-Plant, the senior independent non-executive director and two other non-executive directors. Short biographies of the directors are given on page 9.

All directors are responsible under the law for the proper conduct of the Company's affairs. The directors are also responsible for ensuring that the strategies proposed by the executive directors are discussed in detail and critically assessed to ensure that they conform with the long term interests of shareholders and are compatible with the interests of employees, customers and suppliers. The Board has reserved to itself those matters which reinforce its control of the Company. These include treasury policy, acquisitions and disposals, appointment or removal of directors or the company secretary, appointment or removal of auditors and approval of the annual accounts.

To ensure that the directors are suitably briefed to fulfil their roles, regular reports and briefings are provided to the Board by the executive directors and the company secretary. The Board normally meets at least six times a year and there is contact between meetings to advance the Company's activities. The directors also have access to the company secretary and a procedure is in place for them to take independent advice as needed at the Company's expense.

All directors are subject to election by shareholders at the first annual general meeting after their appointment and to re-election thereafter at intervals of no more than three years. Non-executive directors are appointed for specified terms not exceeding three years and are subject to re-election and the provisions of the Companies Act relating to the removal of a director.

Board committees

Audit Committee

The Audit Committee is composed of Mr Etheridge (chairman since 12 January 2004) and Mr Cole. Mr Cole served throughout the year and Mr Lovegrove served as chairman until 12 January 2004 and as a member until the end of the year. Mr Wheatley and Mr Staunton were members of the Committee until their retirements on 22 September 2003 and 20 February 2004 respectively. In line with the recent recommendations of the Smith Committee, our non-executive chairman, Mr Stenham, is not a member of the Audit Committee, but attends meetings when requested.

Our finance director, Mr Robson, our director of financial reporting, Mr Pratt and our other directors normally attend parts of the Committee's meetings as do representatives of our internal and external auditors. In addition the members of the Committee meet alone amongst themselves and also with the external auditors at least annually.

The Audit Committee meets at least four times a year to review the draft interim and annual financial statements, to consider the key accounting estimates and judgements contained therein and to consider reports from both the external and internal auditors. The Audit Committee also evaluates the effectiveness of our internal controls and financial and accounting policies and is responsible for dealing with any matters brought to its attention by our auditors. The Audit Committee also keeps under review the effectiveness of both internal and external audit as well as the independence of the external auditors including the level of non audit fees paid. In this respect the Audit Committee notes that non audit fees paid to Deloitte & Touche LLP were incurred under letters of engagement approved prior to that firm's appointment as external auditors.

During the year, following a recommendation to this effect from the members of the Audit Committee, the Board decided to appoint Deloitte & Touche LLP as external auditors in place of PricewaterhouseCoopers LLP. Following this appointment, the Audit Committee will reconsider the appointment of Deloitte & Touche LLP as internal auditors in the second half of 2004.

Remuneration Committee

The members of the Remuneration Committee are Mr Cole (member throughout the year and chairman from 22 September 2003) and Mr Etheridge (appointed 12 January 2004). Mr Wheatley (as chairman) and Mr Staunton served the Committee until their retirements on 22 September 2003 and 20 February 2004, respectively. Mr Lovegrove also served as a member of the committee until the end of the year. The Remuneration Committee meets three or four times a year to set the compensation packages for the executive directors, to establish the terms and conditions of the executive directors' employment and to set remuneration policy generally. Mr Stenham and Mr Burnett (but not any of the other executive directors) normally attend the meetings of the Committee to assist them in their work.

Corporate governance report

None of the members of the Remuneration Committee is currently or has been, at any time since the time of our formation, one of our executive directors or employees. None of our executive directors currently serves, or in the past has served, as a member of the board of directors of any other company which has one or more of its executive directors serving on our Board or Remuneration Committee.

Nominations Committee
The members of the Nominations Committee who served throughout the year unless otherwise stated are Mr Stenham (chairman from 12 January 2004), Mr Burnett, Mr Cole, Mr Etheridge (appointed 12 January 2004) and Mr Lovegrove. Mr Wheatley and Mr Staunton (who was also chairman until 12 January 2004) served the Committee until their retirements on 22 September 2003 and 20 February 2004 respectively. The Nominations Committee meets as required to review the composition of, and to recommend any proposed changes to the structure and composition of, the Board of Directors.

Finance and Administration Committee
The Finance and Administration Committee is composed of Mr Stenham, Mr Burnett and Mr Robson. The board of directors has delegated authority to this Committee to deal with routine financial and administrative matters between Board meetings. The Committee meets as necessary to perform its role and has a quorum requirement of two members with certain matters requiring the presence of Mr Stenham, our non-executive chairman, including, for example, the approval of material announcements to the London Stock Exchange.

Internal control
The directors acknowledge their responsibility for the Group's system of internal control and confirm they have reviewed its effectiveness. In doing so, the Group has taken note of the guidance for directors on internal control, Internal Control: Guidance for Directors on the Combined Code (the Turnbull Guidance).

The Board confirms that there is a process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place for the full financial year and is ongoing. It is kept under regular review by the executive directors and is considered periodically by the Board and accords with the Turnbull Guidance.

The Board considers that the Group's internal control system is appropriately designed to manage, rather than eliminate, the risk of failure to achieve business objectives. Any such control system, however, can only provide reasonable and not absolute assurance against material misstatement or loss.

The process for keeping risks and the related internal controls under review is based initially on work undertaken by the heads of the US and UK internal operational audit teams. In the year ended 30 April 2001 they undertook a thorough review of the Group and of the risks it faces in its business and of how these risks are managed. Each year since, they have reviewed and updated this work and produced an annual report in conjunction with the management teams of each of the Group's businesses. Their work included consideration of whether there were any matters which had arisen since their first report was prepared which might indicate omissions or inadequacies in their initial review. They also considered whether, as a result of changes in either the internal or external environment, new significant risks had arisen. The executive directors reviewed their draft report which was then presented to, discussed by and approved by the Group Board on 29 June 2004.

Before producing the statement on internal control for the annual report and accounts for the year ended 30 April 2004, the Board reconsidered the operational effectiveness of the Group's internal control systems. In particular, this considered the status of implementation of the internal control improvement recommendations made by the investigating accountants and our then external auditors following the breakdown in internal controls at Sunbelt in the year ended 30 April 2003 and the internal audit work undertaken subsequently during the year ended 30 April 2004. The control system includes written policies and control procedures, clearly drawn lines for accountability and delegation of authority, and comprehensive reporting and analysis against budgets and latest forecasts. The recommendations raised in 2003 by the investigating accountants who reviewed the accounting breakdown at Sunbelt and by our then external auditors have now been implemented. A substantial majority of the internal audit recommendations have also been implemented.

In a group of the size and complexity and geographical diversity of Ashtead, it should be expected that minor breakdowns in established control procedures might occur. There are supporting policies and procedures for investigation and management of control breakdowns at any of the Group's profit centres or elsewhere.

The Audit Committee also meets with the external auditors at least four times a year to discuss the results of their work. In relation to internal financial control, the Group's control and monitoring procedures include:

- the maintenance and production of accurate and timely financial management information, including a monthly profit and loss account and selected balance sheet data for each profit centre;
- the control of key financial risks through clearly laid down authority levels and proper segregation of accounting duties at the Group's accounting support centres;
- the preparation of a regular financial report to the Board including profit and loss accounts for the Group and each subsidiary, balance sheets and cash flow statements;
- the preparation of an annual budget and periodic update forecasts which are reviewed by the executive directors and then by the Board;
- a programme of rental equipment inventories and full inventory counts conducted at each profit centre by equipment type independently checked on a sample basis by our internal and external auditors;
- detailed internal audits at the Group's major accounting centres undertaken by internal audit specialists from Deloitte & Touche LLP; and

Corporate governance report

- comprehensive audits of all profit centres carried out on average at least once per year by internal operational audit. Copies of these reports are also supplied to the Group Finance Director to whom the heads of the Sunbelt and A-Plant internal operational audit teams have direct access in the event of any issues which they may need to discuss independently of the operational management teams.

Directors' responsibilities in relation to the financial statements

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

In preparing the financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently, supported by judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless this is inappropriate.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. The directors also have responsibility for taking reasonable steps to safeguard the assets of the Group and prevent and detect fraud and other irregularities.

The maintenance and integrity of the Ashtead Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were first published.

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

Going concern

After making appropriate enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements. In forming this view the directors have reviewed the Group's budgets and cash flow forecasts for a period of more than 12 months from the date of the approval of these financial statements and considered the sufficiency of the Group's banking facilities described on pages 51 and 52 of the financial statements.

By order of the Board

Cob Stenham
Chairman
5 July 2004

Directors' remuneration report

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the forthcoming Annual General Meeting of the Company.

The Regulations require the auditors to report to the Company's members on the 'auditable part' of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration Committee

The Company has established a Remuneration Committee ('the Committee') in accordance with the recommendations of the Combined Code. The members of the Committee are Mr Cole (member throughout the year and chairman from 22 September 2003) and Mr Etheridge (appointed 12 January 2004). In addition, the Committee was served by Mr Wheatley as chairman until his retirement on 22 September 2003, Mr Staunton as a member until his retirement on 20 February 2004 and Mr Lovegrove until the end of the year, which covered the period during which the Committee considered the directors' remuneration for 2004. None of the Committee members has any personal financial interests, other than as shareholders, in the matters to be decided.

The Group's Chief Executive, Mr Burnett, normally attends the meetings of the Committee to advise on operational aspects of the implementation of existing policies and policy proposals, except where his own remuneration is concerned, as does the non-executive chairman, Mr Stenham. The company secretary acts as secretary to the Committee. In formulating its policies, the Committee has access to professional advice from outside the Company, if required, and to publicly available reports and statistics.

Remuneration policy for executive directors

Executive remuneration packages are designed to attract, motivate and retain directors of the high calibre needed to achieve the Group's objectives and to reward them for enhancing value to shareholders. The main elements of the remuneration package for executive directors and senior management are:

- basic annual salary and benefits in kind;
- annual performance bonus plan;
- share related incentives, including the Investment Incentive Plan (a long-term co-investment plan) approved by shareholders on 8 October 2001; and
- pension arrangements.

In assessing all aspects of pay and benefits, the Company compares packages offered by similar companies, which are chosen having regard to:

- the size of the company (turnover, profits and number of people employed);
- the diversity and complexity of its businesses;
- the geographical spread of its businesses; and
- their growth, expansion and change profile.

In making the comparisons, the Company takes into consideration the scope of the Group's business, particularly its significant operations in the US where the Company has a number of active, publicly quoted, competitors.

The Committee implements its remuneration policies by the design of reward packages for executive directors comprising the appropriate mix of salary, performance related cash incentive bonuses and share options. Mr Burnett, with the approval of the Board, holds two non-executive appointments outside the Group and is allowed to retain the fees arising therefrom. None of the other executive directors holds any outside appointments. In the past year the Company has not obtained advice in regard to executive directors' salary and incentive rewards from any third party adviser.

Basic salary

An executive director's basic salary is normally determined by the Committee before the start of the year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and seeks to be competitive, but fair, using information provided both by internal and external sources. During the year, due to the weak financial performance of the Group in the year ended 30 April 2003 and the consequent reduction in its market capitalisation, the level of the executive directors' basic salary was reviewed and, in the case of Mr Burnett and Mr Robson, adjusted downwards.

Annual performance related bonus plans

Under the annual performance related bonus plans for UK based executive directors, payments are related directly to performance, subject to a cap at two-thirds of an executive director's salary. The discretionary annual bonus plan for Mr Burnett and Mr Robson depended partly on financial performance and partly on non-financial targets relating to our refinancing. Mr Dhaiwal's discretionary bonus plan depended mainly on the financial performance of A-Plant.

In the year ended 30 April 2004, Mr Burnett and Mr Robson did not achieve their performance targets relating to the Company's financial performance. However, they were awarded discretionary bonuses to recognise the efforts which they had made to deliver the successful refinancing of the Group's debt facilities with the completion of the issue of the senior secured notes in April 2004. Accordingly, Mr Burnett earned 21% of his maximum potential bonus and Mr Robson earned 42% of his maximum potential bonus. In addition, Mr Dhaiwal was awarded a discretionary bonus in respect of delivering our lenders' requirements of A-Plant, representing 15% of his maximum potential bonus.

Directors' remuneration report

Share related incentives

Details of the Company's existing arrangements are set out below. The Committee is currently reviewing future share based incentive arrangements with external advice.

Share option schemes

In relation to share option awards, the Committee's policy is to make regular awards to senior staff in order that their personal interests are aligned with those of shareholders. The value of the shares underlying the options awarded is assessed by reference to a number of factors including the employee's salary, seniority and length of service as well as both the Company's and the individual's performance in the year prior to the award.

It is the Company's practice to normally award share options annually taking into account the results of the Group and/or the operating division in the financial year ending on the 30 April immediately before the date of grant and individual performance and contribution in determining the amount of individual awards. However, in light of the Company's financial performance in the year ended 30 April 2003 no option awards were made in the year to 30 April 2004.

Investment Incentive Plan

The Investment Incentive Plan is a long-term incentive plan which provides for participants, who so elect, to invest all or a portion of their annual cash bonuses in shares of the Company and, thus, become eligible for matching awards in the form of shares which only vest subject to demanding performance conditions.

The matching awards are made in respect of investment shares acquired by the director with all or part of their bonus for the previous financial year. The matching awards only vest, in whole or part, based on the annual growth in the Company's earnings per share ('EPS') in the three year period following the award over that of the year ended 30 April immediately prior to the date of the award and on the Company's Total Shareholder Return ('TSR') performance relative to a comparator group. In respect of the matching awards granted, the relevant performance period is the three year period from 8 October 2001 (when the Company's share price at close was 72p) to 8 October 2004 for the awards granted in 2001/2 and over the three year period from 29 July 2002 (when the share price was 49.5p) to 28 July 2005 for the award granted in 2002/3. The comparator group comprises all of the FTSE 250 mid-cap stocks other than investment trusts.

The above performance conditions have been chosen because they are felt to align most closely the interests of senior management with the interests of shareholders, by rewarding management for achieving superior relative total shareholder return performance compared with the FTSE 250 as a whole, excluding investment trusts. The FTSE 250 is considered to be the Stock Exchange index most appropriate to the size and scale of the Company's operations. Vesting of the matching awards is based on the following required performance grid:

Real EPS growth performance	TSR performance against peer group			
	Below Median TSR	Median	63rd Percentile	75th Percentile
Upper range RPI + 7% p.a.	1.00 x Match	2.0 x Match	2.5 x Match	3.0 x Match
Target range RPI + 5% p.a.	0.75 x Match	1.5 x Match	2.0 x Match	2.5 x Match
Minimum range RPI + 3% p.a.	0.50 x Match	1.0 x Match	1.5 x Match	2.0 x Match
	No Matching Award vests			

Vesting operates on a scaled basis for performance between the target levels shown in the grid above. Performance is measured at the end of the three year performance period when the awards either vest in full or part or lapse completely. For performance measurement purposes earnings per share is based on the profit before exceptional items measured under consistently applied accounting policies. Although the 2001/2 awards will not finally lapse until after 8 October 2004, the Company's financial performance to 30 April 2004 was below the minimum EPS growth target and accordingly no matching awards will be made in respect of that year's awards. In connection with the operation of the plan, the Company established an Employee Share Ownership Trust which holds 2,723,461 shares. Ownership of 2,072,582 of these shares has been conditionally transferred to each director subject to forfeiture to the extent that the required performance conditions are not attained. The executive directors have waived their entitlement to any dividend on the shares conditionally transferred to them until the conclusion of the relevant performance period.

The Company charges against profit each year an amount equal to one-third of the expected cost of the proportion of the matching award expected to vest at the end of the three year performance period.

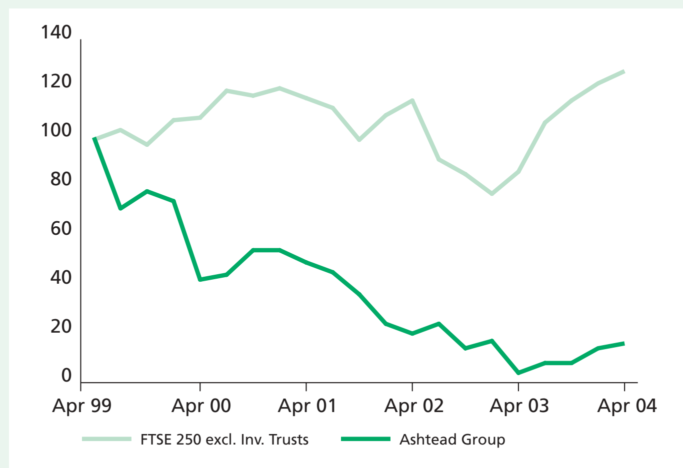
No awards were made under this plan in the financial year but it is the Committee's intention to offer awards to senior executives in relation to their bonuses for the year ended 30 April 2004.

Relative performance

The following graph compares total shareholder return performance of the Company with the FTSE 250 Index (excluding investment trusts) over the five years ended 30 April 2004. This index was selected as it is the measure used for performance comparison under the Company's Investment Incentive Plan.

Directors' remuneration report

Total shareholder return



Directors' pension arrangements

Mr Burnett's pension entitlement is funded through contributions to the managed funds of independent fund managers operated through the Ashtead Group plc Pension Scheme. Mr Burnett's pension in payment increases in line with price inflation, up to 7% a year. A spouse's pension of two-thirds of Mr Burnett's retirement benefit is payable in the event of his death either before or after retirement. The Company receives regular advice from external advisers on the level of contributions required to meet the anticipated final salary liability. Mr Burnett makes no contribution towards the cost of his pension entitlement. Under the provisions of Mr Burnett's amended contract, for the purpose of the required disclosure of year end transfer value, the total funds accumulated within the pension fund are now treated as vested explaining the significant increase in transfer value at 30 April 2004 despite the £105,000 reduction in his accrued pension entitlement in the year.

Under the terms of his contract, Mr Robson is entitled to retire at age 60 on a pension equal to one-thirtieth of his final salary for each year of pensionable service. He is a member of the Company's Retirement Benefits Plan, which is a defined benefits scheme, in respect of his earnings up to the Inland Revenue limit. The pension in respect of his earnings above that limit is provided by an unapproved, unfunded retirement benefits arrangement agreed between him and the Company. Mr Robson's contract also contains early retirement provisions allowing him to retire and draw a pension based on actual years of service, but without deduction for early payment which take effect once he has completed ten years service with the Company (or at anytime after age 50 if there is a change of control). Mr Robson pays contributions equal to 5% of his salary, all of which were paid to the Retirements Benefits Plan in the current year.

Mr Dhaiwal's pension benefits are also provided through the Ashtead Group plc Retirement Benefits Plan in respect of his earnings up to the Inland Revenue limit. The pension in respect of his earnings above that limit is provided by an unapproved, unfunded retirement benefits arrangement between him and the Company. His pension rights accrue at the rate of one-sixtieth of basic salary for each year of pensionable service and his normal retirement is at age 65.

Except where otherwise stated above, the Retirement Benefits Plan provides:

- in the event of death in service or death between leaving service and retirement while retaining membership of the plan, a spouse's pension equal to 50% of the member's deferred pension calculated at the date of death plus a return of his contributions;
- in the event of death in retirement, a spouse's pension equal to 50% of the member's pension at the date of death;
- an option to retire at any time after age 50 with the Company's consent. Early retirement benefits are reduced by an amount agreed between the Actuary and the Trustees as reflecting the cost to the plan of the early retirement;
- pension increases in line with the increase in retail price inflation up to a limit of currently 5% a year (although the Government is currently proposing that this limited inflation proofing be reduced); and
- transfer values do not include discretionary benefits.

Executive directors' service agreements

Following the amendment to Mr Burnett's service agreement on 18 September 2003, his contract now provides for termination by either party by the giving of 12 months' notice. The contract further provides that Mr Burnett is required to give the Company six months' notice if he wishes to retire on or after attaining the age of 60. Mr Burnett's agreement without compensation to accept reduction of his notice period to 12 months completed a process in which he has successively accepted reduction of his notice period from the original five years without any payment of compensation.

The service agreements between the Company and Mr Robson (dated 4 August 2000), Mr Dhaiwal (dated 8 July 2002) and Mr Miller (dated 5 July 2004) are also terminable by either party giving the other 12 months' notice. The service agreements of the executive directors all contain suitable non-compete provisions appropriate to their roles in the Group.

Remuneration policy for non-executive directors

The remuneration of the non-executive directors is determined by the Board within limits set out in the Articles of Association. The Chairman has a service contract with the Company terminable on three months' notice by the Company or immediately by the members in general meeting. The contract also provides for compensation following termination by reason of any change of control equal to 12 months' fees. None of the other non-executive directors has a service contract with the Company and their appointment is therefore terminable by the Board at any time.

An ordinary resolution concerning the Group's remuneration policies will be put to shareholders at the forthcoming Annual General Meeting.

Directors' remuneration report

Audited information

Directors' emoluments

The emoluments of the directors, excluding pensions benefits, which are included in staff costs in note 3 to the financial statements, were as follows:

Name	Salary £'000	Fees £'000	Performance related bonus £'000	Benefits in kind (i) £'000	Other taxed allowances (ii) £'000	Compensation for loss of office £'000	Total emoluments 2004 £'000	Total emoluments 2003 £'000
Executive:								
GB Burnett	290	–	40	1	13	–	344	441
SS Dhaiwal	150	–	15	1	11	–	177	169
SI Robson	213	–	60	–	11	–	284	229
Non-executive:								
C Cole	–	28	–	–	–	–	28	25
HC Etheridge	–	20	–	–	–	–	20	–
PA Lovegrove	–	29	–	–	–	–	29	30
AWP Stenham	–	48	–	–	5	–	53	–
Former directors:								
JB Dressel	63	–	–	1	1	170	235	259
HE Staunton	–	102	–	–	–	–	102	130
AE Wheatley	–	28	–	–	–	–	28	55
	716	255	115	3	41	170	1,300	1,338

(i) Benefits in kind comprises private medical insurance and subscriptions.
(ii) Taxed allowances include car allowances and a contribution to the Chairman's office costs.

The salary shown above for Mr Dressel relates to the period up to 29 July 2003 when his appointment as a director of the Company and President and Chief Executive Officer of Sunbelt was terminated with immediate effect. Under the terms of his contract with Sunbelt he was entitled, subject to certain conditions including an obligation on his part not to compete with Sunbelt or to solicit any of its employees for a minimum period of two years, to continue to receive his annual salary of $400,000 for a matching two year period. These salary payments, which have been provided in full in the financial statements, are disclosed as compensation for loss of office when paid. No other payments are due with respect to Mr Dressel's departure and his participation in the Investment Incentive Plan and his interest in share options have now both lapsed.

Directors' pension benefits

	Age at 30 April 2004 Years	Accrued pensionable service at 30 April 2004 Years	Contributions paid by the director £'000	Accrued annual pension at 30 April 2004 £'000	Increase/(decrease) in annual pension during the year: Excluding inflation £'000	Increase/(decrease) in annual pension during the year: Total increase/ (decrease) £'000	Transfer value of accrued pension at 30 April 2004 £'000	Transfer value of accrued pension at 30 April 2003 £'000	Increase in transfer value over the year £'000
GB Burnett	57	20	–	263	(115)	(105)	7,271	5,219	2,052
SS Dhaiwal	35	10	8	22	5	6	62	35	19
SI Robson	45	4	11	26	4	5	193	106	76

Notes:
(1) The transfer values represent the amount which would have been paid to another pension scheme had the director elected to take a transfer of his accrued pension entitlement at that date and have been calculated by the schemes' actuaries in accordance with Actuarial Guidance Note GN11 published by the Institute of Actuaries and the Faculty of Actuaries. They are not sums paid or due to the directors concerned.
(2) The increase in transfer value in the year is stated net of the members' contributions made by Mr Robson and Mr Dhaiwal.

Under the latest amendment to his service contract discussed above, Mr Burnett's pension entitlement now provides for an annual pension of £275,000 if he retires on 5 April 2005. His pension entitlement is reduced by £1,100 per annum for each month by which his date of retirement falls before 5 April 2005 and is increased by £1,100 for each month his retirement date is later than 5 April 2005.

Mr Dressel was a member of the US defined contribution plan to which the Group contributed £1,110 in the year until his employment was terminated (£3,511 in 2003).

Directors' remuneration report

Directors' interests in shares

The directors of the Company are shown below together with their interests in the share capital of the Company:

	30 June 2004 Number of ordinary shares of 10p each		30 April 2004 Number of ordinary shares of 10p each		30 April 2003 Number of ordinary shares of 10p each	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial
GB Burnett	**12,805,761**	**1,056,192**	**12,805,761**	**1,056,192**	12,805,761	1,056,192
C Cole	**20,000**	**–**	**20,000**	**–**	20,000	–
SS Dhaiwal	**13,000**	**–**	**13,000**	**–**	13,000	–
HC Etheridge	**–**	**–**	**–**	**–**	n/a	n/a
PA Lovegrove	**382,500**	**–**	**382,500**	**–**	382,500	–
SI Robson	**164,644**	**–**	**164,644**	**–**	164,644	–
AWP Stenham	**200,000**	**–**	**200,000**	**–**	n/a	n/a

Investment Incentive Plan

The maximum number of shares which may vest under issued matching awards is shown below:

		At 30 April 2004	At 30 April 2003
GB Burnett	– award granted in 2001/2	**1,422,006**	1,422,006
SI Robson	– award granted in 2001/2	**474,107**	474,107
	– award granted in 2002/3	**176,469**	176,469

Directors' interests in share options

	Options at 1 May 2003 or on appointment	Granted during the year	Exercised/ (lapsed) during year	Market price at date of exercise	Options at 30 April 2004 or on cessation	Exercise price	Earliest normal exercise date	Expiry
Discretionary schemes								
GB Burnett	491,400	–	–	–	491,400	61.440p	Aug 1997	Aug 2004
	487,494	–	–	–	487,494	72.535p	Sept 1998	Sept 2005
	200,000	–	–	–	200,000	132.250p	Feb 2000	Feb 2007
	350,000	–	–	–	350,000	184.200p	Feb 2001	Feb 2008
	166,700	–	–	–	166,700	172.500p	Feb 2002	Feb 2009
	300,000	–	–	–	300,000	102.500p	Aug 2003	Aug 2010
	90,000	–	–	–	90,000	125.000p	Feb 2004	Feb 2011
SS Dhaiwal	40,000	–	–	–	40,000	132.250p	Feb 2000	Feb 2007
	32,500	–	–	–	32,500	184.200p	Feb 2001	Feb 2008
	50,000	–	–	–	50,000	172.500p	Feb 2002	Feb 2009
	35,000	–	–	–	35,000	125.000p	Feb 2004	Feb 2011
	100,000	–	–	–	100,000	41.500p	Feb 2005	Feb 2012
	150,000	–	–	–	150,000	49.500p	Aug 2005	Aug 2012
SI Robson	29,500	–	–	–	29,500	101.670p	Aug 2003	Aug 2010
	195,500	–	–	–	195,500	102.500p	Aug 2003	Aug 2010
	230,000	–	–	–	230,000	125.000p	Feb 2004	Feb 2011
	300,000	–	–	–	300,000	41.500p	Feb 2005	Feb 2012
Former director								
JB Dressel	60,000	–	–	–	60,000	132.250p	Feb 2000	Feb 2007
	200,000	–	–	–	200,000	184.200p	Feb 2001	Feb 2008
	66,700	–	–	–	66,700	172.500p	Feb 2002	Feb 2009
	140,000	–	–	–	140,000	102.500p	Aug 2003	Aug 2010
	230,000	–	–	–	230,000	125.000p	Feb 2004	Feb 2011
	300,000	–	–	–	300,000	41.500p	Feb 2005	Feb 2012
SAYE scheme								
GB Burnett	24,029	–	–	–	24,029	24.270p	May 2006	Oct 2006
SS Dhaiwal	24,029	–	–	–	24,029	24.270p	May 2006	Oct 2006
SI Robson	40,049	–	–	–	40,049	24.270p	May 2008	Oct 2008

Directors' remuneration report

The above discretionary options are exercisable subject to the following performance criteria:

(i) As was usual at that time, options granted in 1994 and 1995 were not subject to any performance criteria;
(ii) In line with recommendations extant at the time from Institutional shareholder representative bodies, options granted in 1997, 1998, 1999, 2000 and 2001 were conditional on the Group achieving real growth in earnings per share of 2% per annum over any continuous three year period during the option period; and
(iii) Options granted in 2002 and subsequently now require real growth in earnings per share of 3% per annum over any continuous three year period before they become exercisable.

The Remuneration Committee considers that these performance hurdles were in line with common practice when the options were granted.

The market price of the Company's shares at the end of the financial year was 29.75p and the highest and lowest prices during the financial year were 37.0p and 7.75p respectively.

Mr Dhaiwal holds 50,000 units under the Cash Incentive Scheme which were granted to him on 22 February 2000 when he was not a director. This award is subject to the same performance conditions as apply to the Company's unapproved share option scheme and is exercisable in the period from 22 February 2003 to 21 February 2010. If the performance criteria are satisfied at any point during that period and the options exercised, the difference between the mid market price of Ashtead Group plc shares on that day and the grant price of 102p per unit multiplied by the number of units held will be paid to Mr Dhaiwal by way of a cash award.

Chris Cole
Chairman, Remuneration Committee
5 July 2004

Operating and financial review

Introduction

This Operating and Financial Review has been prepared reflecting the guidance for such statements provided by the Accounting Standards Board. Accordingly it discusses our financial results, cash flows and balance sheet fluctuations as well as certain factors affecting our financial performance, our critical accounting policies and certain market risks to which our treasury operations subject us.

Business overview

The Group believes it is one of the largest equipment rental groups in the world with a network of 428 profit centres in the US, the UK, Singapore and Canada at 30 April 2004. Equipment rental companies provide customers with a comprehensive range of equipment, including larger equipment such as aerial work platforms, backhoes, excavators and forklift trucks, as well as smaller equipment such as power saws, ladders, and small pumps.

Operations

The Group conducts its equipment rental operations in the US under the brand name 'Sunbelt' and in the UK principally under the brand name 'A-Plant'. The Group believes Sunbelt is the fourth largest equipment rental company in the US and A-Plant is the third largest equipment rental company in the UK, in each case, measured by rental revenue. The Group offers for rent a wide range of equipment, and during 2004 had turnover of £500m.

In 2004, approximately 66% of the Group's turnover was generated in the US by Sunbelt, which operates 200 profit centres in 26 states and the District of Columbia, and approximately 32% of our turnover was generated by A-Plant, which operates 220 profit centres throughout the UK. The Group also has a specialised business that rents mainly electronic survey and testing equipment in the UK, the US, Singapore and Canada under the brand name 'Ashtead Technology Rentals', which accounted for approximately 2% of our turnover in 2004 and operates eight profit centres.

Sunbelt builds on the advantages of its geographical scale through a 'clustered market' approach of grouping its rental locations into clusters of five to 15 locations in each of its developed markets throughout the US. Sunbelt has developed such 'clustered markets' in Washington, D.C., Baltimore, Charlotte, Atlanta, Jacksonville, Orlando, Seattle and a number of other cities. This approach allows us to provide a comprehensive product offering and convenient service to our customers wherever their job sites may be within these markets.

In the UK, A-Plant services its customers with a full range of equipment on a nationwide basis. We believe A-Plant is one of only two companies able to provide such a comprehensive range of equipment and dedicated customer service throughout the UK, which allows it to fully service the needs of its national customers.

Competition

The US equipment rental industry is highly fragmented and Sunbelt's competitors include large companies operating nationally, regional competitors that operate in a few states, small independent businesses with one or two rental locations, and equipment vendors and dealers who both sell and rent equipment directly to customers.

The UK equipment rental market is much more mature than the US market. The Group believes that the top ten equipment rental companies in the UK accounted for approximately 30% of the total UK equipment rental market in 2002. The UK market is highly competitive. We face competition from large national operations, as well as smaller, local and regional operations.

Customers

The Group's diversified customer base includes construction, industrial and homeowner customers, as well as government entities and specialist contractors. The rental equipment fleet comprises an extensive range of general construction equipment, supplemented by product groups such as pumps, welding equipment, power generation equipment, aerial work platforms, scaffolding, shoring equipment and temporary accommodation units.

As a large portion of our customer base comes from the commercial construction and industrial sectors, the Group is dependent on the level of commercial construction or industrial activity. The factors which influence this activity include:

- the strength of the US and UK economies over the long-term;
- the level of interest rates; and
- demand within the businesses that drive the need for commercial construction or industrial equipment.

However, the Group's geographical scale and diversified customer base assist in mitigating the adverse impact of these factors on the Group's performance through:

- reducing the impact of localised economic fluctuations on our overall financial performance;
- reducing our dependence on any particular customer or group of customers; and
- enabling us to meet the needs of larger customers who increasingly demand national coverage across a wide range of equipment needs.

Suppliers

Although the Group has, like almost all participants in the industry, significantly reduced capital expenditure on rental equipment over the past two years, we still purchase large amounts of equipment, parts and other items. The Group's capital expenditure for 2004 was £72.3m, and is expected to be in the region of £100m in 2005. The Group believes that this level of capital expenditure enables it to negotiate favourable pricing, warranty and other terms with our vendors.

Operating and financial review

Across our rental fleet, particularly in the US, we seek to carry equipment from one or two manufacturers in each product range and to limit the number of model types of each product. We believe that having such a standardised fleet results in lower costs because we obtain greater discounts by purchasing spare parts in bulk and reduce maintenance costs through more focused, and therefore reduced, training requirements for our workshop staff. We purchase equipment from vendors with strong reputations for product quality and reliability and maintain close relationships with these vendors to ensure good after purchase service and support. However, management believes the Group has sufficient alternative sources of supply for the equipment it purchases in each of its product categories.

Sales and marketing

Each of Sunbelt, A-Plant and Ashtead Technology Rentals has a dedicated sales force focusing on establishing and expanding our national, regional and specialised-equipment customers in various sectors. In both the US and the UK, we have dedicated national account sales forces who are focused on building and reinforcing relationships with our larger customers, particularly those with a national or multi-regional presence. Our sales force is further broken down into smaller product focused teams, which enhances the development of technical expertise.

In addition to the efforts of our sales force, we market our business through traditional outlets such as direct mail campaigns, print advertising, telemarketing and industry trade publications. Both Sunbelt and A-Plant also promote customer loyalty through their loyalty card programmes, Loyalty Plus and Advantage, respectively.

Employees

The Group's worldwide workforce consisted of 5,833 employees (full and part time) at 30 April 2004, of which approximately 3,730 were located in the US, approximately 2,080 were located in the UK, and the remainder were located in various other locations.

Environmental and safety matters

Our operations are subject to numerous laws governing environmental protection and occupational health and safety matters. These laws regulate such issues as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. Under these laws, we may be liable for, among other things, the cost of investigating and remediating contamination at our sites as well as sites to which we send hazardous wastes for disposal or treatment regardless of fault, and also fines and penalties for non-compliance. Our operations generally do not raise significant environmental risks, but we use hazardous materials to clean and maintain equipment, dispose of solid and hazardous waste and wastewater from equipment washing, and store and dispense petroleum products from underground and above-ground storage tanks located at certain of our locations.

Based on the conditions currently known to us, we do not believe that any pending or likely remediation and compliance costs will have a material adverse effect on our business.

Legal proceedings

The Group is party to certain legal proceedings arising in the ordinary course of business. While the results of such proceedings cannot be predicted with certainty, except as set forth below, we do not believe any of these matters are material to our financial condition or results of operations.

In May 2003, the North Carolina State Court issued a ruling awarding Sunbelt damages in the amount of $5.0m, such amount to be trebled to $15.0m in a dispute with Head & Engquist. The events subject to litigation date back to December 1999 prior to the acquisition of BET USA by the Company when the former president of its BPS division joined Head & Engquist as president of their aerial work platform division and over the subsequent six months led the recruitment of over 100 former BPS staff in a concerted raid on BPS's business and staff.

In a subsequent ruling dated 31 July 2003, the Court ordered that the defendants pay to Sunbelt its legal fees in the amount of $1.2m. On or about 13 August 2003, the Court entered judgement against the defendants and for Sunbelt in the amount of $16.2m, plus pre and post judgement interest. The defendants filed a notice of appeal with respect to the judgement on 11 September 2003 and Sunbelt cross appealed on 19 September 2003. The defendants also posted a letter of credit in the amount of approximately $19m to secure the judgement in order to stay execution of the judgement pending the appeal and Head & Engquist Equipment L.L.C. has reported that it has recorded a $17m provision against the litigation and related costs. Sunbelt does not expect a final outcome before the spring of 2005.

Business strategy

The Group's goal is to establish a premium equipment rental business in all of the markets in which it operates. In order to accomplish this, its business strategy is to continue to provide top-quality customer service and maintain a clear focus on the equipment rental business coupled with controlled growth. In addition, the Group believes it has built a strong platform and achieved critical mass in its core markets, enabling its financial strategy to maximise returns on investment, generate free cash flow and deleverage.

Top-quality customer service is the cornerstone of the Group's business strategy. It strives to differentiate itself from its competitors through efforts to provide the highest level of customer service, which includes employing specialist personnel, motivating and empowering profit centre managers to forge strong relationships with customers in their service area, ensuring that the Group has an extensive, high-quality rental fleet and providing dependable customer support. Customer service initiatives include:

- reliable, on-time delivery of equipment directly to customers' job sites;
- ongoing training to improve the effectiveness of our experienced sales force;
- 24-hour emergency and technical call support;
- comprehensive on-line and print catalogues; and
- providing customers with tailored, on-line access to their accounts.

Operating and financial review

The Group focuses almost entirely on the equipment rental business. During 2004 approximately 96% of turnover was derived from equipment rentals and rental-related services with the balance coming from sales of parts and associated goods, such as equipment accessories. We believe that equipment rental offers the opportunity to earn substantially higher returns than those which are earned by equipment dealers whose margins are effectively capped by the equipment manufacturer. The Group believes that this focused and dedicated approach improves the effectiveness of its rental sales force by encouraging them to build and reinforce relationships with customers and to concentrate on strong, whole-life returns from our rental fleet rather than on short-term returns from sales of equipment. In contrast, many of our competitors in the equipment rental industry, especially in the US, follow a mixed business approach, providing rentals, selling new equipment and trading used equipment.

The Group strives to maximise its return on investment through a combination of measures. In addition to our monthly 'profit-share' programme, we also encourage effective management of invested capital by:

- adapting new capital expenditures to meet customer needs and current economic conditions;
- actively managing the composition and size of our rental fleet by continuing to assess and dispose of older or underperforming equipment and other assets;
- maintaining a concentration of higher-return (often specialised) equipment within the overall rental equipment fleet;
- promoting the transfer of equipment to locations where maximum utilisation rates and returns can be obtained;
- monitoring the amount of invested capital at each of our profit centres; and
- empowering regional and local managers to adapt pricing policies in response to local demand in order to maximise the overall return achieved from our investment in our rental fleet.

The Group's flexible business model allows it to focus on generating free cash flow. When the economy is expanding, we increase investment in our rental fleet to support revenue, EBITDA and earnings growth and reduce the age of our rental fleet. During a recessionary environment, like the one we have experienced over the past two years, we reduce the rate at which we invest in new equipment and increase the age of our rental fleet, which consequently increases free cash flow available to repay debt. As the economy improves, although we expect to increase investment in our rental fleet, we intend to continue to focus on achieving our goal of deleveraging.

Factors affecting our financial performance and results

Seasonality and cyclicality

Our turnover and operating results are significantly dependent on activity in the commercial construction industry in the US and the UK. Commercial construction activity tends to decrease in the winter and during extended periods of inclement weather and increase in the summer and during extended periods of mild weather. Furthermore, due to the incidence of public holidays in the US and the UK, there are more billing days in the first half of our financial year than the second half. This results in changes in demand for our rental equipment. In addition, the commercial construction industries in the US and the UK are cyclical industries with activity levels that tend to increase in line with GDP growth and decline during an economic downturn. The seasonality and cyclicality of the equipment rental industry results in variable demand and therefore, our turnover and operating results may fluctuate from period to period.

Currency translation

Our reporting currency is the pound sterling. However, the majority of our assets, liabilities, turnover and costs are denominated in US dollars. We have arranged our financing such that approximately half of our debt (including the non-recourse funding received under our receivables securitisation) is also denominated in US dollars so that we have a natural partial offset between our dollar-denominated net assets and earnings and our dollar-denominated debt and interest expense. Fluctuations in the value of the US dollar with respect to the pound therefore have had, and may continue to have, a significant impact on our financial condition and results of operations as reported in pounds. This impact is greatest on our turnover and operating profits but less significant on our profits before and after tax.

In the year ended 30 April 2004, the depreciation of the US dollar against the pound decreased our total turnover by approximately 7%, our profits before exceptional items, goodwill amortisation and tax by approximately 33% and our profits before tax by approximately 6%, in each case compared to the year ended 30 April 2003.

Accordingly, throughout this Operating and Financial Review, we also present the changes in our reported results in one period as compared to the equivalent prior period at constant exchange rates, which assumes that the US dollar amounts for both periods were consolidated and translated at the 2004 average exchange rate. We have given this additional information because we believe it provides users of our financial statements with useful information in respect of underlying performance.

Presentation of financial information

Turnover

Our turnover is a function of our prices and utilisation of, and the size and mix of, our equipment rental fleet. In turn, the prices we charge are affected in large measure by utilisation and the relative attractiveness of our rental equipment, while utilisation is determined by market size and our market share, as well as general economic conditions. The size, mix and relative attractiveness of our rental equipment fleet is significantly affected by the level of our capital expenditure. The main components of our turnover are:

- turnover from equipment rentals, including related revenues such as the fees we charge for equipment delivery, erection and dismantling services for our scaffolding rentals, fuel provided with the equipment we rent to customers, and our rental protection plans; and
- turnover from sales of new merchandise, including sales of parts and revenues from a limited number of sales of new equipment.

Operating and financial review

Costs
The main components of our total costs are:

- staff costs – staff costs at our profit centres as well as at our central support offices represent the largest single component of our total costs. Staff costs consist of salaries, social security costs, and other pension costs and comprised 35.1% of our total operating costs in the year ended 30 April 2004;
- depreciation and goodwill amortisation – the depreciation of our tangible fixed assets, including rental equipment, as well as the amortisation of capitalised acquisition goodwill comprised 23.5% of total costs in the year ended 30 April 2004; and
- other costs – comprised 41.4% of total costs in the year ended 30 April 2004. These costs include:
  - spare parts, consumables and outside repairs costs – costs incurred for the purchase of spare parts used by our workshop staff to maintain and repair our rental equipment, and outside repair costs.
  - facilities costs – rental payments on leased facilities as well as utility costs and local property taxes relating to these facilities.
  - vehicle costs – costs incurred for the purchase, maintenance and operation of our vehicle fleet, which consist of our delivery trucks, the light commercial vehicles used by our mobile workshop staff and cars used by our external sales force, profit centre managers and other management staff. Most vehicles are held under operating leases.
  - other costs – all other costs incurred in operating our business, including the costs of new equipment and merchandise sold, advertising costs and bad debt expense.

Our costs are substantially fixed in the short to medium term, and adjustments in the size of our cost base typically result only from openings or closures of one or more of our profit centres, of which there were 428 at 30 April 2004. Accordingly, our business model is such that small increases or reductions in our turnover can result in little or no change in our costs and may therefore have a disproportionate impact on our profits. We refer to this feature of our business as ‘operational leverage’.

Critical accounting policies

We prepare and present our financial statements in accordance with applicable UK accounting standards. In applying many accounting principles, we need to make assumptions, estimates and judgements. These assumptions, estimates and judgements are often subjective and may be affected by changing circumstances or changes in our analysis. Changes in these assumptions, estimates and judgements have the potential to materially alter our results of operations. We have identified below those of our accounting policies that we believe would most likely produce materially different results were we to change underlying assumptions, estimates and judgements. These policies have been applied consistently except that the format of the Group profit and loss account has been changed and the provisions of UITF Abstract 38 ‘Accounting for ESOP Trusts’ have been adopted in the year. For a summary of these and our other significant accounting policies, see note 1 to our audited consolidated financial statements.

The Group profit and loss account in the 2003 Annual Report and Accounts was prepared on the basis of operating costs analysed by function. The directors have revised the presentation of the analysis in the Group profit and loss account in the 2004 Annual Report and Accounts to reflect the type of expenditure format provided for by the Companies Act 1985. This change has been made because the directors consider that the new analysis which provides details of staff costs, depreciation and amortisation and other costs provides greater clarity about the main components of the Group’s total costs and provides the Group, its investors, lenders and financial analysts with greater information with which to evaluate the changes, and the reasons for those changes, in the Group’s total costs and is, accordingly, more appropriate.

Adoption of UITF Abstract 38 has resulted in a restatement of certain prior year figures relating to shares held by the Employee Share Ownership Trust which are now presented as a deduction from shareholders’ funds and not as a fixed asset investment decreasing opening net assets by £1.6 million. Adoption of this abstract had no effect on the profit or cash flows for the current or previous year.

Looking forward, the Group’s accounts must comply with International Financial Reporting Standards (IFRS) for the year ending 30 April 2006. The Group has performed an initial review of the extent to which the differences between UK GAAP and IFRS might impact its accounts. While this indicates that the impact of differences between existing UK GAAP and IFRS is not likely to be significant to the Group, the International Accounting Standards Board, which develops and issues IFRS, has significant ongoing projects that could affect the differences between UK GAAP and IFRS. The actual impact on the Group’s financial statements will therefore depend on the standards applicable and the circumstances prevailing on 1 May 2005.

Useful lives of tangible fixed assets
We record expenditures for tangible fixed assets at cost. We depreciate equipment using the straight-line method over its estimated useful economic life (which ranges from 3 to 20 years for serialised equipment, with a weighted average life of 8 years), after giving effect to an estimated residual value ranging from zero to 20% (used only for steel accommodation units) of cost. We give effect to an estimated residual value of 10% of cost in respect of most types of our rental equipment, zero for scaffolding and similar equipment and 15% for aerial work platforms. We establish our estimates of useful life and residual value with the objective of allocating most appropriately the cost of each fixed asset to our profit and loss account over the period we anticipate it will be used in our business.

We may need to change these estimates if experience shows that the current estimates are not achieving this objective. If these estimates change in the future, we may then be required to recognise increased or decreased depreciation expense. Our total depreciation expense in the year ended 30 April 2004 was £105.1m.

Operating and financial review

Goodwill

Since 1 May 1999 we have accounted for goodwill on acquisitions, being the difference between the cost of the acquisition and the fair market value of our share of the net assets acquired, as an intangible fixed asset. We capitalise goodwill in the year in which it arises and amortise goodwill over its estimated useful economic life of 20 years. Goodwill on acquisitions prior to 1 May 1999 is, however, not treated as an asset but instead was written off against total equity shareholders' funds when it arose. Our estimate of the useful economic life of goodwill may change in the future. Our total charge for goodwill amortisation in the year ended 30 April 2004 was £9.2m.

Self-insurance

We establish provisions at the end of each financial year to cover our estimated liability in respect of the uninsured retained risk on all outstanding unpaid claims arising out of events occurring up to the end of such financial year. The provision is established using advice received from external actuaries who help us extrapolate historical trends and estimate the most likely level of future expense which we will incur on outstanding claims. These estimates may, however, change based on varying circumstances, including changes in our experience of the costs we incur in settling claims over time. Accordingly, we may be required to increase or decrease the provision held for self-insured retained risk. At 30 April 2004, the total provision for self-insurance recorded in our consolidated balance sheet was £12.6m.

Pensions

We account for the cost of pension plans for employees by charging the expected cost of providing pensions over the period during which we benefit from the employees' services. In respect of defined benefit plans, actuarial valuations are made regularly and the contributions payable are adjusted in light of these valuations. However, these adjustments may be significant and may result in an increase or decrease in the cost of providing the defined benefit pensions. In the year ended 30 April 2004 the total pension cost was £3.7m.

Revenue recognition

Turnover is recognised when the risks and rewards of the underlying goods supplied and services provided have been transferred to the customer. Rental income is recognised on a straight-line basis over the period of the rental contract. Turnover from the sale of new merchandise and equipment (approximately 4% of total turnover in the year ended 30 April 2004) is recognised once the merchandise or equipment has been delivered to the customer.

Fourth quarter 2004 results compared with 2003

Overview

	Three months ended 30 April 2004			Three months ended 30 April 2003		
	Before goodwill amortisation and exceptional items £m	**Goodwill amortisation and exceptional items £m**	**Total £m**	Before goodwill amortisation and exceptional items £m	Goodwill amortisation and exceptional items £m	Total £m
Turnover	**118.0**	**(2.1)**	**115.9**	122.9	–	122.9
Staff costs	**(44.5)**	**(0.5)**	**(45.0)**	(49.0)	–	(49.0)
Other operating costs (net)	**(38.5)**	**(7.6)**	**(46.1)**	(46.9)	(12.2)	(59.1)
EBITDA [1]	**35.0**	**(10.2)**	**24.8**	27.0	(12.2)	14.8
Depreciation and amortisation	**(23.0)**	**(4.1)**	**(27.1)**	(27.8)	(2.2)	(30.0)
Operating profit	**12.0**	**(14.3)**	**(2.3)**	(0.8)	(14.4)	(15.2)
Interest payable	**(8.9)**	**(1.1)**	**(10.0)**	(9.8)	(1.9)	(11.7)
Loss before taxation	**3.1**	**(15.4)**	**(12.3)**	(10.6)	(16.3)	(26.9)
Taxation	**(3.2)**	**3.8**	**0.6**	8.5	2.0	10.5
Loss for the financial period	**(0.1)**	**(11.6)**	**(11.7)**	(2.1)	(14.3)	(16.4)

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

Before exceptional items, fourth quarter turnover increased by 5.5% to £118.0m at constant exchange rates but, due to the weak US dollar, turnover at actual rates declined 4.0%. After exceptional items, total turnover decreased 5.7% to £115.9m in 2004.

EBITDA before exceptional items for the quarter grew by 44.6% at constant exchange rates to £35.0m and by 29.6% at actual rates.

Total EBITDA increased 67.6% at actual rates to £24.8m. The operating loss decreased to £2.3m from a loss of £15.2m in 2003. Operating profit before amortisation and exceptional items increased to £12.0m from a loss of £0.8m in 2003 (a loss of £1.2m at constant exchange rates).

Operating and financial review

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 ($m)	**143.1**	125.7	**45.2**	29.5	**20.2**	3.0
Sunbelt (£m)	**78.1**	79.1	**24.7**	18.5	**11.0**	1.8
A-Plant	**37.5**	41.3	**10.0**	7.8	**1.5**	(2.4)
Ashtead Technology	**2.4**	2.5	**1.0**	1.3	**0.5**	0.6
Group central costs	**–**	–	**(0.7)**	(0.6)	**(1.0)**	(0.8)
	118.0	122.9	**35.0**	27.0	**12.0**	(0.8)

* Divisional operating profit is defined as operating profit before goodwill amortisation and exceptional items.

Sunbelt's turnover increased 13.8% in the quarter to $143.1m. This performance was due to improved pricing over 2003 combined with higher equipment utilisation which rose from 57.5% a year ago to 63.9%. Sunbelt's performance in the prior year was adversely affected by unseasonably wet weather on the US east coast as well as by the implementation of its new point of sale accounting system and by its accounting problems. Sunbelt's turnover growth in the quarter reflected the non-recurrence of these issues coupled with the accelerating recovery in its markets, especially the non-residential construction market as well as continued market share growth. Sunbelt's operating costs (excluding depreciation and goodwill amortisation) continued to be tightly controlled and rose only 1.8% in the quarter to $97.9m in 2004 despite upward pressure on a number of cost areas, especially insurance and fuel costs.

Sunbelt's EBITDA margin for the quarter improved to 31.6% from 23.5% in 2003, reflecting the beneficial impact of the turnover growth and its operational leverage. Divisional operating profit increased six fold to $20.2m from $3.0m in 2003 and the divisional operating profit margin rebounded to 14.1% from 2.4% in 2003.

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

A-Plant's turnover declined 9.2% to £37.5m in the quarter, reflecting the closure of certain profit centres towards the end of 2003 and the disposal of three non-core businesses during 2004. In total, A-Plant operated 45 fewer profit centres at the end of the fourth quarter this year than it did at the beginning of the fourth quarter last year. Same store turnover decreased 0.9% over 2003 whilst utilisation rose from 59.6% to 63.6%. A-Plant's total costs (excluding depreciation and goodwill amortisation) decreased 17.9% to £27.5m, reflecting the reduction in the number of profit centres and other cost reduction measures. Its EBITDA margin for the quarter improved to 26.7% from 18.9% in 2003 with EBITDA growing 28.2% to £10.0m. A-Plant's divisional operating profit of £1.5m compares with the loss of £2.4m in 2003.

Ashtead Technology's turnover declined 4% to £2.4m from £2.5m in 2003 but increased by 4.7% at constant exchange rates. Its divisional operating profit of £0.5m decreased by 16.7% from £0.6m in 2003 at actual rates of exchange but increased 20.8% at constant exchange rates. These results reflected growth in its five onshore North American environment rental profit centres offset by a weaker performance in its three offshore focused profit centres where demand remained weak.

Exceptional items
Exceptional items relate to, primarily, costs associated with the Group's refinancing. These items are discussed in more detail in the discussion of the Group's results for the year ended 30 April 2004 below.

Interest payable and similar charges
Interest payable and similar charges decreased to £10.0m from £11.7m in 2003, principally due to lower average borrowings and to the weakness of the US dollar, partially offset by higher exceptional costs.

Loss on ordinary activities before taxation
As a result of the foregoing, the loss on ordinary activities before taxation was £12.3m (2003 – £26.9m). Before exceptional items and goodwill amortisation, the Group generated a profit before taxation of £3.1m in the quarter which represented a significant turnaround from the previous year's loss of £10.6m. After taxation, the net loss for the quarter was £11.7m as a result of the various factors discussed above.

Operating and financial review

Full year 2004 results compared with 2003

Overview

	2004			2003		
	Before goodwill amortisation and exceptional items £m	**Goodwill amortisation and exceptional items £m**	**Total £m**	Before goodwill amortisation and exceptional items £m	Goodwill amortisation and exceptional items £m	Total £m
Turnover	**500.3**	**(3.3)**	**497.0**	539.5	–	539.5
Staff costs	**(170.5)**	**(0.5)**	**(171.0)**	(186.1)	(0.5)	(186.6)
Other operating costs (net)	**(182.8)**	**(12.7)**	**(195.5)**	(203.3)	(23.2)	(226.5)
EBITDA [1]	**147.0**	**(16.5)**	**130.5**	150.1	(23.7)	126.4
Depreciation and amortisation	**(102.8)**	**(11.5)**	**(114.3)**	(111.0)	(14.8)	(125.8)
Operating profit	**44.2**	**(28.0)**	**16.2**	39.1	(38.5)	0.6
Loss on sale of businesses	**–**	**(3.8)**	**(3.8)**	–	–	–
Interest payable	**(36.6)**	**(8.9)**	**(45.5)**	(40.9)	(1.9)	(42.8)
Loss before taxation	**7.6**	**(40.7)**	**(33.1)**	(1.8)	(40.4)	(42.2)
Taxation	**(10.2)**	**8.5**	**(1.7)**	0.4	8.6	9.0
Loss for the financial period	**(2.6)**	**(32.2)**	**(34.8)**	(1.4)	(31.8)	(33.2)

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

Before exceptional items, turnover decreased by 1.6% to £500.3m at constant exchange rates but, due to the weak US dollar, turnover at actual rates declined 7.3%. After exceptional items total turnover decreased 7.9% at actual rates to £497.0m in 2004.

EBITDA before exceptional items grew by 4.0% at constant exchange rates to £147.0m but decreased by 2.1% at actual rates. Total EBITDA increased 3.2% at actual rates to £130.5m. Operating profit grew from £0.6m in 2003 to £16.2m. Operating profit before amortisation and exceptional items increased by 20.8% to £44.2m at constant exchange rates but by only 13.0% 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 ($m)	**572.8**	547.0	**176.8**	155.5	**73.3**	51.5
Sunbelt (£m)	**333.1**	349.1	**102.8**	99.3	**42.4**	32.9
A-Plant	**155.9**	178.4	**43.2**	48.9	**4.0**	7.9
Ashtead Technology	**11.3**	12.0	**5.7**	6.1	**2.7**	2.5
Group central costs	**–**	–	**(4.7)**	(4.2)	**(4.9)**	(4.2)
	500.3	539.5	**147.0**	150.1	**44.2**	39.1

* Divisional operating profit is defined as operating profit before goodwill amortisation and exceptional items.

Sunbelt's turnover increased 4.7% to $572.8m in 2004. This performance reflected principally a 4% increase in average rental rates as non-residential construction activity increased with broadly similar levels of average equipment utilisation (which averaged 65.1% in 2004 and 64.5% in 2003) and a similar fleet size in both years. Costs (excluding depreciation and goodwill amortisation) increased only 1.1% to $396.0m in 2004 reflecting strong cost control all year with this result being achieved despite uncontrollable upward pressure on certain costs including insurance and fuel.

Reflecting the turnover growth coupled with the control of its costs, Sunbelt's EBITDA margin improved to 30.9% from 28.4% in 2003. Its divisional operating profit rose 42.3% to $73.3m in 2004 and its divisional operating profit margin increased to 12.8% from 9.4% in 2003.

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

Operating and financial review

A-Plant's turnover declined 12.6% to £155.9m in 2004, reflecting the closure of 23 profit centres towards the end of 2003 and the disposal of three non-core business lines during 2004. Average equipment utilisation levels were similar in both years at 59.9% in 2004 against 60.7% in 2003. Same store turnover declined 5.3%. Excluding the disposed businesses, A-Plant's turnover for the year was £148.5m.

Largely offsetting the lost turnover, A-Plant's costs (excluding depreciation and goodwill amortisation) decreased 13.0% to £112.7m in 2004, reflecting the reduced number of profit centres and the cost reduction measures taken at the end of the prior financial year and during this year. Whilst these cost reductions did not offset fully the turnover reduction, they helped its EBITDA margin to improve to 27.7% from 27.4% in 2003 and restricted the reduction in its EBITDA to £5.7m compared to the £22.5m turnover reduction. A-Plant's divisional operating profit decreased £3.9m to £4.0m and its divisional operating profit margin declined to 2.6%.

Ashtead Technology's turnover declined 5.8% at actual rates to £11.3m in 2004 but this reduction largely reflected the weak US dollar as the decline was only 0.9% at constant rates. Its divisional operating profit increased by 8.0% at actual rates to £2.7m in 2004 but by 17.4% at constant exchange rates. Its divisional operating profit margin increased to 23.9% from 20.8% in 2003. This strong performance at constant rates reflected growth in its five onshore North American environment rental profit centres offset by a weaker performance in parts of its offshore focused business, especially Singapore, where demand remained weak.

Exceptional items

Total exceptional items, including amounts charged below operating profit, were:

	2004 £m	2003 £m
Debt facility costs	**20.6**	7.5
UK business refocusing programme	**6.1**	7.4
Prior year impact of change in US estimation methods	**5.3**	7.4
US severance costs	**0.5**	–
Profit on sale of land and buildings	**(1.0)**	(0.3)
Prior year impact of the US accounting issue	**–**	9.4
	31.5	31.4

Debt facility costs of £20.6m consist of: (i) £8.9m payable to providers of finance in connection with the waiver on 30 May 2003 by the bank group of the default under our senior secured credit facility and other debt facilities as a result of the accounting issues at Sunbelt; (ii) £2.2m of legal, accounting and advisory fees related to the waiver of the default; (iii) £6.7m of legal, accounting and advisory fees related to the partial refinancing of the senior secured credit facility through the issue of second priority senior secured notes; and (iv) £2.8m of other costs. Debt facility costs in 2003 comprised principally professional advisory costs and fees paid to debt providers related to resolving the defaults under the Company's debt facilities.

The non cash charge of £6.1m in the year ended 30 April 2004 for the UK business refocusing programme is an adjustment to the charge of £7.4m recorded at 30 April 2003 and arose from A-Plant's non-core asset disposal programme. The charge includes goodwill of £2.3m previously written off to reserves.

The non cash charge of £5.3m for the prior year impact of the changes in US estimation methods in the year ended 30 April 2004 relates principally to adjustments of £3.3m relating to the methods of determining accrued and deferred revenue at 30 April 2003 and to £1.4m to recognise operating lease costs on a straight line basis over the life of the lease at 30 April 2003. Application of the revised methods had no net impact on the Group's loss or cash flows for the year ended 30 April 2004 and is not expected to have any significant impact on the results of future periods. The charge of £7.4m in the year ended 30 April 2003 related to the adjustment arising from the refinement of the method of estimating the provision for self insured retained risk under Sunbelt's insurance policies at 30 April 2002.

The US severance costs relate to the departure of the former President and Chief Executive Officer of Sunbelt (see directors' remuneration report). The charge of £9.4m relating to the prior year impact of the US accounting issue in the year ended 30 April 2003 is comprised of the errors in the balance sheet at 30 April 2002.

These costs are presented in the profit and loss account as follows:

	2004 £m	2003 £m
Turnover	**3.3**	–
Staff costs	**0.5**	0.5
Depreciation and amortisation	**2.3**	5.8
Other operating costs	**13.7**	23.5
Other operating income	**(1.0)**	(0.3)
Charged at in arriving at operating profit	**18.8**	29.5
Loss on sale of businesses	**3.8**	–
Interest payable and similar charges	**8.9**	1.9
	31.5	31.4

Operating and financial review

Interest payable and similar charges
Interest payable and similar charges increased 6.3% to £45.5m in 2004. The increase was due to higher exceptional interest costs of £8.9m (2003 – £1.9m) which more than offset the benefit of lower debt in sterling terms. Excluding exceptional items, net interest payable and similar charges reduced 10.5% to £36.6m reflecting principally lower average borrowings and the weakness of the US dollar, the currency in which approximately 90% of our net bank debt and securitisation funding was denominated. The main components of net interest payable and similar charges are:

- net bank interest payable in relation to the term and revolving loans under our senior secured credit facility of £24.1m (2003 – £28.3m);
- interest of £3.2m payable under the accounts receivable securitisation facility established in June 2002 (2003 – £2.7m);
- interest on the convertible subordinated loan note of £8.1m (2003 – £7.7m);
- interest payable on finance leases of £1.2m (2003 – £2.2m); and
- exceptional costs related to the senior secured credit facility of £8.9m, comprising £8.6m in fees and £0.3m in default interest, compared with £1.9m in 2003 related to fees of £1.5m and default interest of £0.4m.

Loss on ordinary activities before taxation
Reflecting the above, the loss on ordinary activities before taxation was £33.1m (2003 – £42.2m). Before exceptional items, goodwill amortisation and taxation the Group generated a profit of £7.6m compared with the loss of £1.8m reported in 2003 which rises to a loss of £2.7m at constant exchange rates.

Taxation on loss on ordinary activities
The current tax credit was £0.3m (2003 – charge of £0.3m). Substantially no cash tax was again paid reflecting the capital intensive nature of the Group's operations and the level of available tax losses, a situation which is expected to continue to exist for the foreseeable future.

The total tax charge for 2004 totalled £1.7m reflecting a £2.0m non-cash charge for deferred tax arising in the US. The Group is unable to recognise any credit for its UK tax losses due to uncertainty over their future utilisation. This inability to take credit for the UK tax loss position explains why the overall effective rate (based on pre-goodwill and exceptional profits) of 134% is significantly higher than the UK statutory rate of 30%.

For the same reason the overall effective tax rate will remain volatile in future dependent on the mix of results between the UK and the US.

Loss for the financial period and loss per share
The net loss was £34.8m (2003 – £33.2m) as a result of the various factors discussed above. The basic loss per share was 10.8p per share (2003 – loss of 10.3p per share).

Earnings per share computed on the pre-tax profit before exceptional items and goodwill amortisation of £7.6m less a 30% tax charge in line with the standard UK rate of corporation tax recovered to 1.6p per share (2003 – loss of 0.4p per share). This additional measure of earnings per share is presented as the directors believe that this measure is frequently used by analysts and other users of its accounts to determine the Group's price/earnings ratio.

Prospects
Turnover trends in both Sunbelt and A-Plant improved during the course of the year ended 30 April 2004 with strong fourth quarter dollar turnover growth in Sunbelt and a substantial reduction in the rate of decline in A-Plant's same store turnover (excluding closed and disposed profit centres) to a point of near stability (down 1%) in its fourth quarter. Cost growth in both businesses remained low. These trends have continued with Sunbelt's dollar turnover growing 10.9% in the two months to 30 June 2004 and A-Plant's same store turnover up 2.4% in the same period.

The Board continues to be encouraged by these trends and believes that the outlook for growth in underlying Group operating profits is encouraging. The impact of the continued weakness in the US dollar together with the prospect of higher average market interest rates in 2004/5 may reduce growth at the pre-tax level.

Cash flow
The Group's principal existing sources of cash are cash generated from operations, cash generated from sales of tangible fixed assets, primarily used rental equipment and borrowings available under its borrowing facilities.

During the year ended 30 April 2004, the Group generated cash from operations of £126.7m and £32.3m from the sale of tangible fixed assets. The Group used cash during this period principally to pay for purchases of tangible fixed assets (£82.9m), to pay interest and similar charges (£40.0m), and to repay debt and finance leases (£49.6m).

Our free cash flow in the year ended 30 April 2004 (which we define to exclude all exceptional items and which comprises our net cash inflow from operations excluding exceptional items, less our net capital expenditure, interest and tax) rose 45.5% in the year to £56.6m (2003 – £38.9m). This free cash flow was largely applied to reduce outstanding debt. This is summarised opposite:

Operating and financial review

	2004 £m	2003 £m
EBITDA before exceptional items	**147.0**	150.1
Cash inflow from operations before exceptional items	**140.0**	157.3
Cash efficiency ratio*	**95.2%**	104.8%
Capital expenditure	**(82.9)**	(107.1)
Proceeds from sale of used rental equipment	**32.3**	29.4
Tax received	**0.1**	0.7
Free cash flow before interest	**89.5**	80.3
Interest paid (excluding exceptional interest)	**(32.9)**	(41.4)
Free cash flow after interest	**56.6**	38.9
Acquisitions and disposals	**15.2**	(0.8)
Exceptional costs	**(18.2)**	(7.6)
Dividends paid	**–**	(9.3)
Reduction in total debt	**53.6**	21.2

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

The Board believes that, based on its current projections, the Group expects to be able to fund its cash requirements relating to its existing operations from existing sources of cash described above for at least the next 12 months. It expects that the principal needs for cash relating to existing operations over the next 12 months will be to:

- fund operating expenses and working capital;
- fund the purchase of rental equipment and other capital expenditures; and
- service outstanding debt.

Balance sheet

Tangible fixed assets

	2004		2003	
	Rental equipment £m	Total £m	Rental equipment £m	Total £m
Opening balance	**577.5**	**651.5**	678.1	750.9
Exchange difference	**(37.5)**	**(40.7)**	(39.1)	(42.0)
Additions	**64.1**	**72.3**	71.0	85.5
Disposals	**(37.9)**	**(42.5)**	(24.5)	(26.1)
Reclassification	**(0.2)**	**–**	(0.3)	–
Depreciation:				
– excluding exceptional impairment	**(94.0)**	**(102.8)**	(101.9)	(111.0)
– UK business refocusing programme	**(2.3)**	**(2.3)**	(5.8)	(5.8)
Closing balance	**469.7**	**535.5**	577.5	651.5

Capital expenditure decreased 15.4% at actual rates to £72.3m in 2004 as the Group further aged its rental fleet in the face of generally weak market conditions. At constant exchange rates the reduction was 10.1%. Expenditure on rental equipment was 88.7% of total capital expenditure.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2004 was 46 months on a net book value basis. On the same basis, Sunbelt's fleet had an average age of 48 months (58 months for aerial work platforms which have a longer life and 35 months for the remainder of its fleet) and A-Plant's fleet had an average age of 43 months. This represents a change of reporting basis for the Group from an original cost basis. The directors believe the net book value basis is the method used more commonly within the industry.

Operating and financial review

On an original cost basis, the average age of the Group's fleet at 30 April 2004 was 56 months (2003 – 49 months). At the same time, Sunbelt's fleet had an average age of 56 months (65 months for aerial work platforms and 45 months for the remainder of its fleet) and A-Plant's fleet had an average age of 54 months. The equivalent figures at 30 April 2003 were 48 months for Sunbelt's fleet (57 months for aerial work platforms and 41 months for the remainder) and 51 months for A-Plant.

In the coming year the Group expects capital expenditure to be approximately £100m, in line with the level of the depreciation charge, which is expected to be sufficient to keep the average fleet age broadly constant in 2004/5. 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.

The net book value of our tangible fixed assets decreased to £535.5m from £651.5m at 30 April 2003 reflecting the currency translation impact from the weak US dollar, the UK non-core business disposals and our decision to age the rental fleet.

Current assets

	2004 £m	2003 £m
Stock	**15.1**	11.6
Trade debtors subject to non-recourse financing	**82.4**	88.0
Non-recourse financing received	**(52.2)**	(57.5)
Other trade debtors, prepayments and accrued income	**11.7**	16.3
Cash at bank and in hand[1]	**9.9**	10.3
	66.9	68.7

[1] At 30 April 2004 a total of £6.0m (2003 – £3.7m) of cash at bank and in hand was used to collateralise part of Sunbelt's outstanding letters of credit.

Stocks of raw materials, consumables and spares and goods for resale increased by 30.2% to £15.1m in 2004. This increase was principally due to the planned increases in stocks of goods for resale at Sunbelt in support of its merchandising programme.

Trade debtors subject to non-recourse financing decreased 6.4% to £82.4m in 2004. This decrease was due principally to the weakness of the US dollar. Debtor days decreased slightly to 58 days (2003 – 60 days). The bad debt charge as a percentage of total turnover was 1.2% in 2004 compared with 1.3% in 2003. Other trade debtors, prepayments and accrued income decreased 28.2% to £11.7m from £16.3m in 2003. The decline was due principally to the weak US dollar.

Trade and other creditors

Group creditor days decreased to 81 days at 30 April 2004 from 162 days at 30 April 2003. This decrease reflected principally the reduction in terms on which rental equipment is acquired to a current average of 90 days. Consequently capital expenditure related payables at 30 April 2004 totalled £21.1m (2003 – £33.3m). Payment periods for purchases other than rental equipment averaged between 30 and 60 days. The Group expects creditor days to remain at broadly similar levels for the foreseeable future.

Net debt

At 30 April 2004 total net debt which we (and our bankers) define to include non-recourse funding received under the debtors securitisation reduced to £526.7m (2003 – £622.3m) due to a combination of cash generation and the weak US dollar. Measured at constant (30 April 2004) exchange rates, the reduction in total net debt in the year was £53.6m.

Bank loan facility

Following the refinancing of the Group's loan facilities during the year, the Group's principal bank facility is its first priority senior secured credit facility which is now committed to 28 September 2007. This facility is drawn principally in US dollars with the remainder in sterling and euros.

At 30 April 2004 the facility totalled £250.8m of which £222.6m was drawn and £28.2m ($50m) was available. Interest is payable on borrowings under the facility at LIBOR plus 4.0% and there is a commitment fee of 1.875% per annum payable on any undrawn portion of the facility.

The facility amortises by 3% of the outstanding principal amount on 29 October 2004 and then, commencing on 31 January 2005, by 0.75% of the outstanding principal amount on a quarterly basis. The facility may also further amortise each year from July 2005 by an additional amount equal to 75% of any excess cash flow shown in the audited accounts for the financial year ended at the end of the previous April. Excess cash flow for this purpose effectively amounts to the reduction in first secured senior borrowings in the financial year less the committed amortisation outlined above in that financial year together with any amounts set aside to cash collateralise any letters of credit issued or to be issued in connection with the Group's insurance programmes.

Outstandings under the facility are secured by first priority security interests in the form of fixed and floating charges over substantially all of the Group's assets. Under the terms of the facility the Group is required to demonstrate compliance with certain financial covenants comprising the ratios of EBITDA to senior and total debt levels and to interest, the ratio of the committed facility to the net book value of the rental fleet and a maximum capital expenditure covenant.

Operating and financial review

The Group also has a bank overdraft facility of £11m and a £5.6m ($10m) line used for letters of credit issued in connection with the Group's insurance programmes. Both these facilities are also committed to 28 September 2007. At 30 April 2004, £3.3m was outstanding under the overdraft facility and the letter of credit line was fully utilised. The amounts outstanding under these supplementary facilities are secured on the same basis as the senior secured credit facility and are subject to the same covenants and to similar amortisation and cash sweep arrangements.

Accordingly, at 30 April 2004, the Group had total committed undrawn facilities of £35.9m comprising £28.2m available under the senior secured credit facility and £7.7m 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 £3.9m. In total therefore the Group's available liquidity at 30 April 2004 was £39.8m.

Accounts receivable securitisation

In June 2002, the Company and certain of its subsidiaries completed a rolling £60m accounts receivable securitisation. In connection with the securitisation, the subsidiaries transferred all of their trade accounts receivable to two special purpose vehicles, which in turn sold these receivables to secure £60m of funding. Interest is paid at LIBOR plus 3.0% on this funding. The accounts receivable securitisation facility is now £55.1m. There are two scheduled facility reductions under the receivables securitisation in the amount of £5m on each of 30 April 2006 and 2007.

At 30 April 2004, non-recourse funding received under the facility (net of unamortised costs) was £52.2m, which represented 63.3% of the net value of the receivables in the collateral pool of £82.4m.

12% second priority senior secured notes due 2014 having a nominal value of £120m

On 16 April 2004 the Group, through its wholly owned subsidiary Ashtead Holdings plc, issued £120m of 12% second priority senior secured notes due 1 May 2014. The funds received were used to permanently prepay $200m of the amount outstanding under the senior secured credit facility and, in conjunction with funds from our own resources, additionally to pay down $50m of a revolving tranche of that facility. The notes are secured by second priority security interests over substantially the Group's same assets as the senior secured credit facility and are also guaranteed by Ashtead Group plc.

Under the terms of the notes, the Group is, subject to important exceptions, restricted in its ability to incur additional debt, pay dividends, make investments, sell assets, enter into sale and leaseback transactions and merge or consolidate with another company. Interest is payable on the notes on 1 May and 1 November of each year. The notes are listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange's market for listed securities.

5.25% unsecured convertible loan note due 2008 having a nominal value of £134m

This loan note is convertible, at the holder's option, into 89,333,333 ordinary shares at any time after 1 June 2001 and if not converted is redeemable at par on 31 March 2008. The loan note may only be transferred with the consent of the Company which will be granted if the Company is satisfied that the transferee (and any connected persons) would not, in consequence of the transfer, hold 10% or more of the issued share capital of the Company after conversion. Certain orderly marketing restrictions also apply to any ordinary shares issued on conversion.

Future payments of the semi-annual interest under the convertible loan note may, under certain conditions, be postponed for up to 180 days by the Company's senior lenders and are, additionally, subject to constraints set out in the agreement governing the second priority senior secured notes, due 2014.

The holder of the convertible loan note, a subsidiary of Rentokil Initial plc, has agreed that, in the event that the Company is prohibited from paying the interest on the convertible loan note, then such non-payment shall not constitute a default and instead the amount of any unpaid interest shall be carried forward to the next interest payment date and paid at that time provided sufficient earnings are available. If they are not then the amount unpaid is again carried forward.

In return for these concessions the Company agreed during the year with Rentokil Initial plc that the holder of the convertible loan note will receive a fee of £2m payable at the time the convertible loan note is repaid. This fee, together with the unpaid interest relating to the missed April and October 2003 interest payments have been expensed in the year and are included in other creditors due after one year.

Operating and financial review

Net debt and commercial commitments

	Payments due by year						
	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	Thereafter £m	Total £m
Bank and other debt[1]	9.9	6.3	6.3	203.4	0.2	–	226.1
Funding received under debtors securitisation[2]	–	2.2	5.0	45.0	–	–	52.2
Finance leases[3]	5.7	3.4	1.7	0.9	0.4	–	12.1
12% senior secured notes[4]	–	–	–	–	–	115.6	115.6
Convertible loan note[5]	–	–	–	130.6	–	–	130.6
	15.6	11.9	13.0	379.9	0.6	115.6	536.6
Cash at bank and in hand	(9.9)	–	–	–	–	–	(9.9)
Net debt and securitisation	5.7	11.9	13.0	379.9	0.6	115.6	526.7
Operating leases[6]	24.7	22.2	19.0	16.7	14.8	77.3	174.7
Total	30.4	34.1	32.0	396.6	15.4	192.9	701.4

[1] Represents the scheduled maturities of our bank and other debt for the periods indicated.
[2] Represents the scheduled maturity and amortisation of funding received under our accounts receivable securitisation facility.
[3] Represents the future minimum lease payments under our finance leases.
[4] Represents the carrying value of the £120m second priority secured notes.
[5] Represents the carrying value of the 5.25% subordinated unsecured convertible loan note due 2008 (which has a par value of £134m issued to a subsidiary of Rentokil Initial plc in June 2000).
[6] Represents the minimum payments to which we were committed under operating leases, which relate principally to vehicles and property.

Except as described under operating leases and our $100m interest rate swap agreement and guaranteed letters of credit described below, we have no material commercial commitments that we could be obligated to pay in the future which are not included in the Group's consolidated balance sheet.

Other provisions

Other provisions relate principally to provision for the self insured retained risk under the Group's self insurance policies. The Group's business exposes it to claims for personal injury, death or property damage resulting from the use of the equipment it rents or sells and from injuries caused in motor vehicle accidents in which its delivery and service personnel are involved. The Group carries insurance covering a wide-range of potential claims at levels it believes are sufficient to cover existing and future claims. Our liability insurance programmes provide that we can only recover the liability related to any particular claim in excess of an agreed excess amount of typically between $0.5m and $2m depending on the particular liability programme. In certain, but not all, cases this liability excess amount is subject to an annual cap, which limits the Group's maximum liability in respect of these excess amounts to such annual cap. Our liability coverage is also limited to a maximum of £100m per occurrence.

Pensions

The Group operates pension plans for the benefit of its employees, for which the charge included in the financial statements was £3.7m in the year. The Group has three defined benefit pension plans, one which covers approximately 500 employees in the UK and two other plans affecting our executive directors. All our other pension plans are defined contribution plans.

The next triennial valuation of the UK defined benefit plan will be as at 30 April 2004. However, the Company increased its contribution to the UK defined benefit plan to 15% of salary effective 1 May 2003 (11% previously) in the light of the poor returns on equity investments since the last valuation as at 30 April 2001.

The Group accounts for pensions in accordance with SSAP 24. Under the methodology required by FRS 17, the proposed UK accounting standard for pension plans, the deficit in the defined benefit plans was £12.5m compared with £14.5m at 30 April 2003. The Group is not required to apply the provisions of FRS 17 in preparing its financial statements and, accordingly, this deficit is not provided for in our financial statements. For additional information regarding the Group's pension plans see note 23 to the financial statements.

Off-balance sheet arrangements

On 5 March 2003, the Group entered into an interest rate swap agreement under which we fixed interest rates on $100m of our borrowings at 2.5% for the three-year period beginning on 1 May 2003. This swap is accounted for using the accrual method under which amounts payable or receivable in respect of derivatives are recognised ratably in net interest payable over the period of the contract. These amounts payable or receivable are not revalued to fair value or shown in the Group balance sheet.

The Group guarantees a $10m letter of credit facility used by Sunbelt under bilateral arrangements under our senior secured credit facility. At 30 April 2004, total letters of credit issued by the provider of these bilateral arrangements amounted to $20.6m, of which $10.6m was cash collateralised by an equivalent cash deposit made by Sunbelt to the provider of the letters of credit and $10m was secured under the bilateral arrangements under the senior secured credit facility and by guarantee from Ashtead Group plc.

Operating and financial review

At 30 April 2004, the Group had £174.7m in total minimum operating lease commitments outstanding through to the end of the respective term of such leases. Operating leases relating to properties (most of which are leased) constituted 87.1% (£152.1m) of our total minimum operating lease commitments and operating leases relating to the vehicle fleet constituted 12.4% (£21.6m) of such commitments.

Except as described above, the Group does not have any material off-balance sheet arrangements.

Quantitative and qualitative disclosures about market risk
The Group's exposure to market risk primarily consists of:

- interest rate risk associated with its variable rate debt;
- foreign currency exchange rate risk primarily associated with Sunbelt's operations in the US; and
- counterparty risk associated with derivative financial instruments.

The Finance and Administration Committee of the board of directors approves any derivative transaction which the Group enters into, and the finance director regularly updates the Board on treasury matters, including whether or not new derivative transactions are proposed. Derivative transactions are only undertaken for the purposes of managing interest rate risk and currency risk. The Group does not trade in financial instruments. The Board reviews and agrees objectives and treasury policies for managing each of these risks and they are summarised below.

Interest rate risk
The Group periodically utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. At 30 April 2004, the Group had swap agreements with an aggregate notional amount of $100m. The effect of these agreements is to fix the interest rate exposure at 2.5% on $100m of US dollar borrowings under the amended senior secured credit facility.

The Group has the following debt that bears interest at a variable rate: (i) all outstanding borrowings under the amended senior secured credit facility; (ii) advances under the UK overdraft facility; and (iii) funding received under the accounts receivable securitisation facility. The interest rates that will be applicable to this variable rate debt are LIBOR as applicable to the currency borrowed (US dollars, pounds and euros) plus 4.0% for borrowings under the amended senior secured credit facility, UK base rate plus 4.0% for borrowings under the committed overdraft line and LIBOR (US dollars and pounds) plus 3.0% in respect of the funding received under the accounts receivable securitisation facility.

At 30 April 2004, based upon the amount of variable rate debt outstanding and taking into account the $100m interest rate swap agreement, the Group's pre-tax profits would decrease by approximately £2m for each one percentage point increase in interest rates applicable to the variable rate debt. The amount of the Group's variable rate debt may fluctuate as a result of changes in the amount of debt outstanding under the revolving tranches of the senior secured credit facility.

Currency exchange risk
The Group's reporting currency is the pound sterling. However, a substantial portion of its assets, liabilities, turnover and costs is denominated in US dollars. The Group has arranged its financing such that approximately half of its debt (including securitisation funding) is also denominated in US dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense.

Based upon the level of US operations and of its US dollar-denominated debt and US interest rates at 30 April 2004, a 1% change in the US dollar-pound exchange rate would impact our pre-tax profits by 1%. At 30 April 2004, the Group had no outstanding foreign exchange contracts. The Group does not engage in purchasing forward exchange contracts for speculative purposes or to hedge the translation exposures in its consolidated accounts.

The Group's exposure to exchange rate movements on trading transactions is relatively limited. All Group companies invoice revenues in their respective local currency and generally incur expense and purchase assets in their local currency. Consequently, the Group does not routinely hedge either forecast foreign exchange exposures or the impact of exchange rate movements on the translation of overseas profits into sterling. Foreign exchange risk on significant non-trading transactions (e.g. acquisitions) is considered on an individual basis.

Counterparty risk
The Group is exposed to credit risk related losses in the event of non-performance by a counterparty to its interest rate hedging financial instruments. The risk is managed by entering into derivative transactions only with institutions with strong credit ratings and by limiting the exposure to any counterparty. At 30 April 2004, the counterparty to the Group's sole interest rate hedging transaction was Bank of America which is not expected to fail to meet its obligations.

Ian Robson
Finance Director
5 July 2004

Independent auditors' report to the members of Ashtead Group plc

We have audited the financial statements of Ashtead Group plc for the year ended 30 April 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the summary of movements in shareholders' funds, the statement of accounting policies and the related notes 2 to 28. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 April 2004 and of the loss of the Group for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
5 July 2004

Consolidated profit & loss account

for the year ended 30 April 2004

	Notes	**2004** Before goodwill amortisation and exceptional items £m	**2004** Goodwill amortisation and exceptional items £m	**2004** Total £m	2003 Before goodwill amortisation and exceptional items (restated) £m	2003 Goodwill amortisation and exceptional items (restated) £m	2003 Total (restated) £m
Turnover	*2*	**500.3**	**(3.3)**	**497.0**	539.5	–	539.5
Operating profit	*2,3*	**44.2**	**(28.0)**	**16.2**	39.1	(38.5)	0.6
Loss on sale of businesses	*21*	**–**	**(3.8)**	**(3.8)**	–	–	–
Interest payable and similar charges	*4*	**(36.6)**	**(8.9)**	**(45.5)**	(40.9)	(1.9)	(42.8)
Loss on ordinary activities before taxation		**7.6**	**(40.7)**	**(33.1)**	(1.8)	(40.4)	(42.2)
Taxation on loss on ordinary activities:							
– current tax	*6*	**0.3**	**–**	**0.3**	(0.3)	–	(0.3)
– deferred tax	*6,18*	**(10.5)**	**8.5**	**(2.0)**	0.7	8.6	9.3
		(10.2)	**8.5**	**(1.7)**	0.4	8.6	9.0
Loss for the financial year transferred from reserves	*20*	**(2.6)**	**(32.2)**	**(34.8)**	(1.4)	(31.8)	(33.2)
Basic and diluted loss per share	*8*			**(10.8p)**			(10.3p)
Reconciliation of operating profit to EBITDA							
Operating profit		**44.2**	**(28.0)**	**16.2**	39.1	(38.5)	0.6
Depreciation and amortisation		**102.8**	**11.5**	**114.3**	111.0	14.8	125.8
EBITDA		**147.0**	**(16.5)**	**130.5**	150.1	(23.7)	126.4

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

Consolidated statement of total recognised gains & losses

for the year ended 30 April 2004

	2004 £m	2003 £m
Loss for the financial year	**(34.8)**	(33.2)
Foreign currency translation differences	**4.9**	(0.4)
Total recognised gains and losses in the year	**(29.9)**	(33.6)

Summary of movements in shareholders' funds

for the year ended 30 April 2004

	2004 £m	2003 £m
Total recognised gains and losses in the year	**(29.9)**	(33.6)
Goodwill transferred to profit and loss account in respect of businesses sold	**2.3**	–
Share capital subscribed	**–**	0.1
Net decrease in shareholders' funds in the year	**(27.6)**	(33.5)
Shareholders' funds at the beginning of the year as restated	**159.4**	192.9
Closing shareholders' funds	**131.8**	159.4

Consolidated balance sheet

at 30 April 2004

	Notes	2004 £m	2003 (restated) £m
Fixed assets			
Intangible assets:			
– goodwill	*9*	**142.9**	152.0
Tangible fixed assets:			
– rental equipment	*10*	**469.7**	577.5
– other fixed assets	*10*	**65.8**	74.0
	10	**535.5**	651.5
		678.4	803.5
Current assets			
Stock	*12*	**15.1**	11.6
Trade debtors subject to non-recourse financing	*13*	**82.4**	88.0
Non-recourse financing received	*13*	**(52.2)**	(57.5)
Trade debtors net of non-recourse financing		**30.2**	30.5
Other trade debtors, prepayments and accrued income	*13*	**11.7**	16.3
Cash at bank and in hand	*24c*	**9.9**	10.3
		66.9	68.7
Creditors – amounts falling due within one year			
Bank loans, overdrafts and finance lease obligations	*14*	**(15.6)**	(10.6)
Trade and other creditors	*15*	**(77.3)**	(92.2)
		(92.9)	(102.8)
Net current liabilities		**(26.0)**	(34.1)
Total assets less current liabilities		**652.4**	769.4
Creditors – amounts falling due after more than one year			
5.25% unsecured convertible loan note, due 2008	*16*	**(130.6)**	(129.8)
Bank and other loans	*16*	**(338.2)**	(434.7)
Other creditors		**(9.4)**	–
		(478.2)	(564.5)
Provision for liabilities and charges			
Deferred taxation	*18*	**(27.7)**	(28.6)
Other provisions	*18*	**(14.7)**	(16.9)
		(42.4)	(45.5)
Total net assets		**131.8**	159.4
Capital and reserves			
Called up share capital	*19*	**32.6**	32.6
Share premium account	*20*	**100.7**	100.7
Revaluation reserve	*20*	**0.5**	0.5
Own shares held by ESOT	*20*	**(1.6)**	(1.6)
Profit and loss account	*20*	**(0.4)**	27.2
Total equity shareholders' funds		**131.8**	159.4

These financial statements were approved by the Board on 5 July 2004.

GB Burnett
Chief Executive

SI Robson
Finance Director

Consolidated cash flow statement

for the year ended 30 April 2004

	Notes	2004		2003	
		£m	**£m**	£m	£m
Net cash inflow from operating activities					
Cash inflow before exceptional items	*24a*		**140.0**		157.3
Exceptional costs			**(11.1)**		(4.4)
Movement in non-recourse finance received under trade debtors securitisation			**(2.2)**		57.4
Net cash inflow from operating activities			**126.7**		210.3
Returns on investments and servicing of finance					
Interest paid		**(32.9)**		(41.4)	
Exceptional bank facility costs		**(7.1)**		(3.2)	
Net cash outflow from returns on investments and servicing of finance			**(40.0)**		(44.6)
Taxation inflow			**0.1**		0.7
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(82.9)**		(107.1)	
Sale of tangible fixed assets		**32.3**		29.4	
Net cash outflow from capital expenditure and financial investment			**(50.6)**		(77.7)
Acquisitions & disposals inflow/(outflow)	*24d*		**15.2**		(0.8)
Equity dividends paid			**–**		(9.3)
Net cash inflow before management of liquid resources and financing			**51.4**		78.6
Financing					
Issue of ordinary share capital		**–**		0.1	
Drawdown of loans	*24e*	**115.6**		11.9	
Redemption of loans	*24e*	**(156.6)**		(65.8)	
Increase in cash collateral balances		**(2.6)**		(3.7)	
Capital element of finance lease payments		**(8.6)**		(11.9)	
Net cash outflow from financing			**(52.2)**		(69.4)
(Decrease)/increase in cash	*24b*		**(0.8)**		9.2

Company balance sheet

at 30 April 2004

	Notes	2004 £m	2003 (restated) £m
Fixed assets			
Investments in group companies	*11*	**277.6**	346.8
Current assets			
Debtors	*13*	**0.2**	134.0
Creditors – amounts falling due within one year			
Trade and other creditors	*15*	**(2.9)**	(9.1)
Net current (liabilities)/assets		**(2.7)**	124.9
Total assets less current liabilities		**274.9**	471.7
Creditors – amounts falling due after more than one year			
5.25% unsecured convertible loan note, due 2008	*16*	**(130.6)**	(129.8)
Other loan notes	*16*	**(0.2)**	(0.2)
Other creditors		**(9.4)**	–
		(140.2)	(130.0)
Total net assets		**134.7**	341.7
Capital and reserves			
Called up share capital	*19*	**32.6**	32.6
Share premium account	*20*	**100.7**	100.7
Revaluation reserve	*20*	**–**	198.6
Own shares held by ESOT	*20*	**(1.6)**	(1.6)
Profit and loss account	*20*	**3.0**	11.4
Total equity shareholders' funds		**134.7**	341.7

These financial statements were approved by the Board on 5 July 2004.

GB Burnett
Chief Executive

SI Robson
Finance Director

Notes to the financial statements

1 Accounting policies

Accounting convention
These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain freehold and long leasehold properties and in accordance with applicable United Kingdom accounting standards. Set out below is a summary of the Group's principal accounting policies which have been applied consistently except that the format of the Group profit and loss account has changed and the provisions of UITF Abstract 38 'Accounting for ESOP Trusts' have been adopted in the year.

The Group profit and loss account in the 2003 Annual Report and Accounts was prepared on the basis of operating costs analysed by function. The directors have revised the presentation of the analysis in the Group profit and loss account in the 2004 Annual Report and Accounts to reflect the type of expenditure format provided for by the Companies Act 1985. This change has been made because the directors consider that the new analysis which provides details of staff costs, depreciation and amortisation and other costs provides greater clarity about the main components of the Group's total costs and provides the Group, its investors, lenders and financial analysts with greater information with which to evaluate the changes, and the reasons for those changes, in the Group's total costs and is, accordingly, more appropriate. As a result, certain comparative figures have been restated.

Adoption of UITF Abstract 38 has resulted in a restatement of certain prior year figures relating to shares held by the Employee Share Ownership Trust ('ESOT') which are now presented as a deduction from shareholders' funds and not as a fixed asset investment, decreasing opening net assets by £1.6 million. Adoption of this abstract had no effect on the profit or cash flows for the current or previous year.

Basis of consolidation
The Group financial statements incorporate the financial statements of the Company and all its subsidiaries for the year to 30 April each year. The results of businesses acquired or sold during the year are incorporated for the periods from or to the date on which control passed and acquisitions are accounted for under the acquisition method.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

Foreign currency translation and derivative financial instruments
Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Profit and loss accounts and cash flows of overseas subsidiary undertakings are translated into sterling at average rates of exchange for the year. The exchange rates used in respect of the US dollar are:

	2004	2003
Average for year	**1.7195**	1.5664
Year end	**1.7734**	1.5982

Exchange differences arising from the retranslation of the opening net investment of overseas subsidiaries and the difference between the inclusion of their profits at average rates of exchange in the Group profit and loss account and the closing rate are dealt with as movements on reserves. Other exchange differences are dealt with in the profit and loss account.

The Group uses derivative financial instruments to manage its interest rate exposures. These are principally swap agreements used to manage the balance between fixed and floating rate finance on long term debt. The Group accounts for such derivatives, which are only used for hedging purposes, using the accrual method under which amounts payable or receivable in respect of derivatives are recognised rateably in interest payable over the period of the contract. They are not revalued to fair value or shown on the Group balance sheet at the balance sheet date.

Turnover
Turnover represents the total amount receivable for the provision of goods and services to customers net of returns and value added tax. Rental income is recognised on a straight line basis over the period of the rental contract.

Notes to the financial statements

1 Accounting policies continued

Fixed assets
Fixed assets are stated at historical cost or valuation less accumulated depreciation and provisions for impairment where appropriate. Leasehold properties are amortised over the life of each lease. Other fixed assets, including those held under finance leases, are depreciated on a straight line basis applied to the opening cost to write down each asset to its residual value over its useful economic life. The rates in use are as follows:

	Per annum		Per annum
Freehold property	2%	Rental equipment	5% to 33%
Motor vehicles	16% to 25%	Office and workshop equipment	20%

Residual values are estimated at 10% of cost in respect of most types of rental equipment, zero for scaffolding and similar equipment and 15% for aerial work platforms.

Some of the Group's freehold and long leasehold properties were revalued on the basis of their open market value at 30 April 1989. On adoption of FRS 15 the Group followed the transitional provisions to retain the book value of land and buildings that were revalued in 1989 but not to adopt a policy of revaluation in future.

Gains and losses from sale of used equipment are recognised in the profit and loss account as a deduction from, or addition to, operating costs on transfer of title in the equipment to the purchaser provided delivery has also taken place except in the case of sales of rental equipment lost when in the possession of the rental customer which are recognised when the loss is notified by the customer at which point rental income on the lost equipment ceases to accrue.

Repairs and maintenance
Costs incurred in the repair and maintenance of rental and other equipment are charged to the profit and loss account as incurred.

Goodwill
Goodwill arising on acquisitions, being the difference between the cost and fair value of the Group's share of net assets acquired, is capitalised and written off on a straight line basis over its useful economic life, which the Group has determined to be 20 years. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 30 April 1999 and earlier periods was deducted from the accumulated profit and loss account reserve in accordance with the Group's accounting policy prior to adoption of FRS 10. Such goodwill is charged to the profit and loss account on any subsequent disposals of the businesses to which it relates.

Deferred taxation
Deferred taxation is provided using the incremental liability approach and is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date. Deferred tax is recognised in respect of timing differences that have originated but not reversed by the balance sheet date except that (a) deferred tax in respect of the unremitted earnings of overseas subsidiaries is only recognised where there is a binding intent to distribute past earnings at the balance sheet date; and (b) deferred tax assets are only recognised to the extent that it is considered more likely than not that they will be recovered.

Leases
Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. Such assets are depreciated in accordance with the Group's depreciation policy at the same rate as applied to equivalent owned assets. Lease payments are apportioned between interest which is charged to the profit and loss account, and capital, which reduces the outstanding obligation.

Operating lease rentals are charged against profits on a straight line basis over the period of the lease.

Notes to the financial statements

1 Accounting policies continued

Stocks
Stocks are valued at the lower of cost and net realisable value.

Pensions
The Group operates defined benefit and defined contribution pension plans for the benefit of its employees under arrangements established by Group companies. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Group benefits from the employees' services. The effect of variations from regular cost are spread over the expected average remaining service lives of the members of the plan. Contributions to defined contribution plans are expensed as incurred.

Insurance
Insurance costs include insurance premiums which are written off to the profit and loss account over the period to which they relate and an estimate of the discounted liability for uninsured retained risks on unpaid claims arising out of events occurring up to the balance sheet date.

Investments
Investments in subsidiary undertakings are stated at cost less any necessary provision for impairment in the parent company balance sheet. Where an investment in a subsidiary is transferred to another subsidiary, any uplift in the value at which it is transferred over its carrying value is treated as a revaluation of the investment prior to the transfer and is credited to the revaluation reserve.

Employee Share Ownership Trust
Shares in the Company acquired by the Employee Share Ownership Trust in the open market for use in connection with employee share plans are, following the adoption of the UITF Abstract 38, shown as a deduction from shareholders' equity. Where these shares are subject to commitments to release them to employees (subject to the attainment of performance targets) in connection with the Group's long term incentive plans, then provision is made by way of a charge against profits to write off the estimated cost of the shares over the performance period which is normally three years.

2 Segmental analysis

The Group operates one class of business: rental of equipment. The segmental analysis by business unit is given below:

	Turnover before exceptional items £m	Exceptional items £m	Turnover £m	Operating profit before goodwill amortisation and exceptional items £m	Goodwill amortisation and exceptional items £m	Operating profit £m	Net assets £m
2004							
Sunbelt	333.1	(3.3)	329.8	42.4	(23.8)	18.6	490.2
A-Plant	155.9	–	155.9	4.0	(4.0)	–	186.6
Ashtead Technology	11.3	–	11.3	2.7	(0.2)	2.5	9.4
Corporate costs	–	–	–	(4.9)	–	(4.9)	–
Central items*	–	–	–	–	–	–	(554.4)
	500.3	(3.3)	497.0	44.2	(28.0)	16.2	131.8
2003							
Sunbelt	349.1	–	349.1	32.9	(28.8)	4.1	581.0
A-Plant	178.4	–	178.4	7.9	(8.9)	(1.0)	218.0
Ashtead Technology	12.0	–	12.0	2.5	(0.5)	2.0	11.3
Corporate costs	–	–	–	(4.2)	(0.3)	(4.5)	–
Central items*	–	–	–	–	–	–	(650.9)
	539.5	–	539.5	39.1	(38.5)	0.6	159.4

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

Notes to the financial statements

2 Segmental analysis continued

The segmental analysis by geographic unit is given below:

	Turnover		Operating profit		Net assets	
	2004 £m	2003 £m	**2004 £m**	2003 (restated) £m	**2004 £m**	2003 (restated) £m
North America	**335.2**	354.4	**16.3**	5.5	**495.6**	587.2
United Kingdom	**160.3**	183.2	**(0.3)**	(5.4)	**189.2**	221.6
Rest of World	**1.5**	1.9	**0.2**	0.5	**1.4**	1.5
Central items*	**–**	–	**–**	–	**(554.4)**	(650.9)
	497.0	539.5	**16.2**	0.6	**131.8**	159.4

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

There is no material difference between turnover by origin as shown above and turnover by destination.

3 Operating costs

	2004			2003		
	Before goodwill amortisation and exceptional items £m	**Goodwill amortisation and exceptional items £m**	**Total £m**	Before goodwill amortisation and exceptional items (restated) £m	Goodwill amortisation and exceptional items (restated) £m	Total (restated) £m
Staff costs:						
Salaries	**153.7**	**0.5**	**154.2**	167.1	0.5	167.6
Social security costs	**13.1**	**–**	**13.1**	15.2	–	15.2
Other pension costs	**3.7**	**–**	**3.7**	3.8	–	3.8
	170.5	**0.5**	**171.0**	186.1	0.5	186.6
Depreciation and amortisation:						
Depreciation						
– owned assets	**99.9**	**2.3**	**102.2**	107.6	5.8	113.4
– leased assets	**2.9**	**–**	**2.9**	3.4	–	3.4
Goodwill amortisation	**–**	**9.2**	**9.2**	–	9.0	9.0
	102.8	**11.5**	**114.3**	111.0	14.8	125.8
Other operating costs:						
Vehicle costs	**47.5**	**–**	**47.5**	50.8	–	50.8
Spares, consumables and external repairs	**36.3**	**–**	**36.3**	41.6	–	41.6
Facilities costs	**28.9**	**1.4**	**30.3**	30.8	1.4	32.2
Refinancing costs	**–**	**10.9**	**10.9**	**–**	5.6	5.6
Other external charges	**75.3**	**1.4**	**76.7**	82.8	16.5	99.3
	188.0	**13.7**	**201.7**	206.0	23.5	229.5
Other operating income – profit on disposal of fixed assets	**(5.2)**	**(1.0)**	**(6.2)**	(2.7)	(0.3)	(3.0)
	456.1	**24.7**	**480.8**	500.4	38.5	538.9

On the same basis as last year, operating costs by function can be analysed as follows:

	£m	**£m**	**£m**	£m	£m	£m
Cost of sales	**413.1**	**3.3**	**416.4**	457.3	22.5	479.8
Administrative expenses	**43.0**	**21.4**	**64.4**	43.1	16.0	59.1
	456.1	**24.7**	**480.8**	500.4	38.5	538.9

Notes to the financial statements

3 Operating costs continued

The aforementioned include:

	2004 £m	2003 (restated) £m
Operating lease rentals:		
Relating to vehicles and other equipment (hire of plant and machinery)	**11.1**	11.6
Relating to land and buildings	**16.2**	17.2

Details of directors' remuneration, together with directors' share interests and share options are given in the directors' remuneration report and form part of these financial statements.

Other operating income relates to profits on disposal of fixed assets which have been included within operating profit as they resulted from routine sales of rental equipment and property transactions and are considered in effect to be no more than required adjustments to depreciation previously charged. Profits related to land and buildings have been treated as exceptional other operating income and the comparative has been amended accordingly.

During 2004 the Company changed its auditors and accordingly the remuneration of both the predecessor and the new auditors in the year is given below:

		2004 £'000	2003 £'000
Payable to PricewaterhouseCoopers LLP:			
Audit services :	statutory audit: Company	**–**	25
:	statutory audit: Group	**–**	389
:	other audit related reporting: UK	**770**	369
Tax services :	compliance services: overseas	**110**	63
:	advisory services: UK	**50**	214
		930	1,060
Payable to Deloitte & Touche LLP:			
Audit services :	statutory audit: Company	**20**	–
:	statutory audit: Group	**530**	–
Other services:	internal audit: UK	**219**	–
:	due diligence: UK	**1,480**	650
:	other	**26**	–
		2,275	650

The fees for other services paid to Deloitte & Touche LLP are in respect of services provided under letters of engagement approved prior to their appointment as auditors.

4 Interest payable and similar charges

	2004 £m	2003 £m
Bank interest payable	**24.1**	28.3
Funding cost on trade debtors' securitisation	**3.2**	2.7
Interest on 5.25% unsecured convertible loan note, due 2008	**8.1**	7.7
Interest payable on finance leases	**1.2**	2.2
Total interest payable before exceptional costs	**36.6**	40.9
Exceptional bank facility costs	**8.9**	1.9
	45.5	42.8

Exceptional bank facility costs in 2004 comprise default interest of £0.3m and fees to providers of finance of £8.6m.

Notes to the financial statements

5 Exceptional items and goodwill amortisation

	2004 £m	2003 £m
Debt facility costs	**20.6**	7.5
UK business refocusing programme	**6.1**	7.4
Prior year impact of change in US estimation methods	**5.3**	7.4
US severance costs	**0.5**	–
Profit on sale of land and buildings	**(1.0)**	(0.3)
Prior year impact of the US accounting issue	**–**	9.4
Total exceptional items	**31.5**	31.4
Goodwill amortisation	**9.2**	9.0
	40.7	40.4

Debt facility costs of £20.6m consist of: (i) £8.9m payable to providers of finance in connection with the waiver on 30 May 2003 by the bank group of the default under our existing senior secured credit facility and other debt facilities as a result of the accounting issues at Sunbelt; (ii) £2.2m of legal, accounting and advisory fees related to the waiver of the default; (iii) £6.7m of legal, accounting and advisory fees related to the partial refinancing of the senior secured credit facility through the issue of second priority senior secured notes; and (iv) £2.8m of other costs. Debt facility costs in 2003 comprised principally professional advisory costs and fees paid to debt providers related to resolving the defaults under the Company's debt facilities.

The non cash charge of £6.1m in the year ended 30 April 2004 for the UK business refocusing programme is an adjustment to the charge of £7.4m recorded at 30 April 2003 and arose from A-Plant's non-core asset disposal programme. The charge includes goodwill of £2.3m previously written off to reserves.

The non cash charge of £5.3m for the prior year impact of changes in US estimation methods in the year ended 30 April 2004 relates principally to adjustments of £3.3m to the methods of determining accrued and deferred revenue at 30 April 2003 and £1.4m to recognise operating lease costs on a straight line basis over the life of the lease at 30 April 2003. Application of the revised estimation methods had no net impact on the Group's loss or cash flows for the year ended 30 April 2004 and is not expected to have any significant impact on the results of future periods. The charge of £7.4m in the year ended 30 April 2003 related to the adjustment arising from the refinement of the method of estimating the provision for self insured retained risk under Sunbelt's insurance policies at 30 April 2002.

The US severance costs relate to the departure of the former President and Chief Executive Officer of Sunbelt (see directors' remuneration report). The charge of £9.4m relating to the prior year impact of the US accounting issue in the year ended 30 April 2003 is comprised of the errors in the balance sheet at 30 April 2002.

Exceptional items are presented in the profit and loss account as follows:

	2004 £m	2003 (restated) £m
Turnover	**3.3**	–
Staff costs	**0.5**	0.5
Depreciation	**2.3**	5.8
Other operating costs	**13.7**	23.5
Other operating income	**(1.0)**	(0.3)
Charged in arriving at operating profit	**18.8**	29.5
Loss on sale of businesses	**3.8**	–
Interest payable and similar charges	**8.9**	1.9
	31.5	31.4

Notes to the financial statements

6 Taxation

	2004 £m	2003 £m
UK Corporation tax at 30% (2003 – 30%)		
– current year charge	**–**	–
– credit in respect of prior year	**–**	(0.2)
	–	(0.2)
Overseas taxation		
– current year charge	**0.2**	0.5
– credit in respect of prior year	**(0.5)**	–
	(0.3)	0.5
Total current tax (credit)/charge	**(0.3)**	0.3
Deferred taxation		
– current year charge/(credit)	**0.9**	(4.8)
– prior year charge/(credit)	**1.1**	(4.5)
	2.0	(9.3)
Total tax charge/(credit) for the year	**1.7**	(9.0)

All of the 2004 and 2003 deferred tax relates to the origination and reversal of timing differences.

The reconciliation between the tax charge/(credit) for the year and that expected on the basis of the UK standard corporation tax rate of 30% is as follows:

	2004 £m	2003 £m
Expected tax credit based on the loss before taxation of £33.1m (2003 – £42.2m) for the year at the standard UK corporation tax rate of 30%	**(9.9)**	(12.7)
Accelerated capital allowances and other timing differences	**10.9**	14.8
Goodwill amortisation included in the loss before tax not allowable for tax	**2.6**	2.6
Impact of overseas losses taxed at rates above the UK standard rate	**(0.9)**	(1.0)
Adjustment to tax charge in respect of previous period	**(0.5)**	(0.2)
Other permanent differences	**(2.5)**	(3.2)
Total current tax (credit)/charge for the year	**(0.3)**	0.3
Deferred taxation charge/(credit) for the year	**2.0**	(9.3)
Total tax charge/(credit) for the year	**1.7**	(9.0)

Factors that may affect future tax charges relate to deferred tax (see note 18).

7 Profit and loss account

Ashtead Group plc has not presented its own profit and loss account as permitted by Section 230 (3) of the Companies Act 1985. The amount of the loss for the financial year dealt with in the accounts of Ashtead Group plc is £8.4m (2003 – profit of £2.7m).

Notes to the financial statements

8 Loss per share

Loss per share for the year ended 30 April 2004 has been calculated based on the loss for the financial year and on 322,931,814 (2003 – 322,716,194) ordinary shares, being the weighted average number of ordinary shares in issue during the year which excludes the 2,723,461 shares held by the ESOT in respect of which dividends have been waived. Diluted loss per share is computed using the loss for the financial year and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

			2004			2003
	Loss for the financial year £m	**Weighted average no of shares million**	**Per share amount pence**	Loss for the financial year £m	Weighted average no of shares million	Per share amount pence
As used in the calculation of basic loss per share excluding the shares held by the ESOT	**(34.8)**	**322.9**	**(10.8)**	(33.2)	322.7	(10.3)
Outstanding share options	**–**	**–**	**–**	–	–	–
As used in the calculation of diluted loss per share	**(34.8)**	**322.9**	**(10.8)**	(33.2)	322.7	(10.3)

9 Intangible assets – goodwill

	Cost £m	Amortisation £m	Net book value £m
At 1 May 2003 as previously reported	178.3	(26.3)	152.0
Arising in respect of acquisitions in the year	0.1	–	0.1
Amortisation during the year	–	(9.2)	(9.2)
At 30 April 2004	**178.4**	**(35.5)**	**142.9**

Additions to goodwill relate to deferred consideration arising on prior year acquisitions. Goodwill written off directly to reserves as at 30 April 2004 was £61.9m (2003 – £64.2m).

10 Tangible fixed assets

			Rental equipment			Motor vehicles		
	Freehold property £m	Leasehold property £m	Owned £m	Held under finance leases £m	Office & workshop equipment £m	Owned £m	Held under finance leases £m	Total £m
Cost or valuation								
At 1 May 2003	39.7	29.9	923.9	21.9	23.3	4.9	6.4	1,050.0
Exchange difference	(1.3)	(2.1)	(69.2)	(2.6)	(1.5)	(1.5)	–	(78.2)
Reclassifications	(0.5)	0.4	5.7	(6.4)	0.8	–	–	–
Additions	0.3	1.7	64.1	–	2.4	3.8	–	72.3
Disposals	(3.4)	(2.6)	(123.5)	–	(2.4)	(3.2)	(0.3)	(135.4)
At 30 April 2004	**34.8**	**27.3**	**801.0**	**12.9**	**22.6**	**4.0**	**6.1**	**908.7**
Depreciation								
At 1 May 2003	6.1	7.6	363.5	4.8	12.6	3.3	0.6	398.5
Exchange difference	(0.2)	(0.7)	(33.3)	(1.0)	(0.9)	(1.4)	–	(37.5)
Reclassifications	–	–	4.8	(5.3)	0.5	–	–	–
Charge for the period	0.7	2.1	94.5	1.8	4.0	0.9	1.1	105.1
Disposals	(1.3)	(1.3)	(85.6)	–	(2.0)	(2.6)	(0.1)	(92.9)
At 30 April 2004	**5.3**	**7.7**	**343.9**	**0.3**	**14.2**	**0.2**	**1.6**	**373.2**
Net book value								
At 30 April 2004	**29.5**	**19.6**	**457.1**	**12.6**	**8.4**	**3.8**	**4.5**	**535.5**
At 30 April 2003	33.6	22.3	560.4	17.1	10.7	1.6	5.8	651.5

Reclassifications principally relate to the purchase in the year of assets previously held under finance leases.

Notes to the financial statements

10 Tangible fixed assets continued

The net book amount of leasehold property comprises:

	2004 £m	2003 £m
Long leasehold	**3.0**	2.4
Short leasehold	**16.6**	19.9
	19.6	22.3

The closing net book value of property stated at cost or valuation may be analysed as follows:

	Freehold £m	Leasehold £m
Stated at cost	28.0	18.6
Stated at valuation performed at 30 April 1989	1.5	1.0
	29.5	19.6
The net book value at which assets stated at valuation would have been shown if they had not been revalued is as follows:	1.2	0.8

11 Investments

	Shares in group companies £m
At 1 May 2003	346.8
Additions	132.0
Disposals	(2.6)
Written off against revaluation reserve	(198.6)
At 30 April 2004	**277.6**

The Company's principal subsidiaries are:

Name	Country of incorporation	Principal country in which subsidiary undertaking operates
Ashtead Holdings plc	England	United Kingdom
Sunbelt Rentals Inc.	USA	USA
Ashtead Plant Hire Company Limited	England	United Kingdom
Ashtead Technology Limited	Scotland	United Kingdom
Ashtead Technology (South East Asia) pte Limited	Singapore	Singapore
Ashtead Technology Inc.	USA	USA

The issued share capital (all of which comprises ordinary shares) of subsidiaries is 100% owned by the Company or by subsidiary undertakings and all subsidiaries are consolidated. The principal activity of Ashtead Holdings plc is an investment holding company. The principal activity of each other subsidiary undertaking listed above is equipment rental. Ashtead Group plc owns all the issued share capital of Ashtead Holdings plc which in turn holds all of the other subsidiaries listed above except for Sunbelt Rentals Inc. and Ashtead Technology Inc. which Ashtead Holdings plc owns indirectly through other subsidiary undertakings.

12 Stock

	2004 £m	2003 £m
Raw materials, consumables and spares	**9.4**	8.7
Goods for resale	**5.7**	2.9
	15.1	11.6

Notes to the financial statements

13 Debtors

	Group		Company	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Trade debtors subject to non-recourse financing	**82.4**	88.0	**–**	–
Less non-recourse financing received	**(52.2)**	(57.5)	**–**	–
	30.2	30.5	**–**	–
Other trade debtors	**0.5**	2.8	**–**	–
Amounts due from group undertakings	**–**	–	**–**	133.9
Prepayments and accrued income	**11.2**	13.5	**0.2**	0.1
	41.9	46.8	**0.2**	134.0

Under the revolving securitisation programme the Group sells or assigns its title and interest in a pool of invoiced trade debtors to a third party. Funding received against this pool of trade debtors takes into account, inter alia, the risks that may be attached to the debtors and the expected collection period. The Group is not obliged and does not intend to support any losses arising from the assigned debtors. In the event of default in payment by a debtor, the providers of the finance can only obtain repayment of funding advanced, as to both principal and interest, from the remainder of the pool of debtors in which they hold an interest. The third party has also confirmed that it will not seek repayment from the Group in any other way.

14 Bank loans, overdrafts and finance lease obligations

	Group		Company	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Secured bank overdraft	**–**	4.8	**–**	–
Short term element of secured bank loans	**9.9**	2.3	**–**	–
Short term element of finance lease obligations	**5.7**	3.5	**–**	–
	15.6	10.6	**–**	–

15 Trade and other creditors

	Group		Company	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Trade creditors	**33.3**	35.3	**–**	–
Bills of exchange payable	**0.9**	12.8	**–**	–
Taxation	**0.6**	0.5	**–**	–
Other taxes and social security	**6.3**	7.9	**0.1**	–
Amounts due to subsidiary undertakings	**–**	–	**1.9**	–
Accruals and deferred income	**36.2**	35.7	**0.9**	9.1
	77.3	92.2	**2.9**	9.1

Trade and other creditors include amounts relating to the purchase of fixed assets (including outstanding bills of exchange) of £21.1m (2003 – £33.3m).

Notes to the financial statements

16 Creditors – amounts falling due in more than one year

Bank and other loans are payable as follows:

	Group		Company	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Between one and two years:				
– First priority senior secured bank debt	**6.3**	415.6	**–**	–
– Finance lease obligations	**3.4**	6.1	**–**	–
Between two and five years:				
– Secured bank overdraft	**3.3**	–	**–**	–
– First priority senior secured bank debt	**206.4**	–	**–**	–
– Finance lease obligations	**3.0**	12.8	**–**	–
– 5.25% Unsecured convertible loan note, due 2008	**130.6**	129.8	**130.6**	129.8
– Loan notes	**0.2**	–	**0.2**	–
Over five years:				
– Loan notes	**–**	0.2	**–**	0.2
– 12% second priority senior secured notes, due 2014	**115.6**	–	**–**	–
	468.8	564.5	**130.8**	130.0

Interest is payable on these loans currently at rates between 5.1% and 12.0%. Secured bank debt payable in between one and two years relates to amounts drawn under the committed secured senior credit facility which, following the partial repayment of this facility from the proceeds of the second priority secured notes, now expires on 28 September 2007. Secured bank debt including secured bank overdrafts is secured by way of fixed and floating charges over substantially all of the Group's assets.

First priority senior secured credit facility

Following the refinancing of the Group's loan facilities during the year, the Group's principal bank facility is its first priority senior secured credit facility which is now committed to 28 September 2007. This facility is drawn principally in US dollars and partly in sterling and euros. At 30 April 2004 the facility totalled £250.8m of which £222.6m was drawn and £28.2m (US$50m) was available. Interest is payable on borrowings under the facility at LIBOR plus 4.0% and there is a commitment fee of 1.875% per annum payable on any undrawn portion of the facility.

Debt repayments of 3% of the outstanding principal amount on 29 October 2004 and then, commencing on 31 January 2005, by 0.75% of the outstanding principal amount on a quarterly basis are required. The undrawn facility amortises on the same basis. The facility may also further amortise each year from July 2005 by an additional amount equal to 75% of any excess cash flow shown in the audited accounts for the financial year ended at the end of the previous April. Excess cash flow for this purpose effectively amounts to the reduction in borrowings in the financial year less the committed amortisation outlined above in that financial year together with any amounts set aside to cash collateralise any letters of credit issued or to be issued in connection with the Group's insurance programmes.

Outstandings under the facility are secured by first priority security interests in the form of fixed and floating charges over substantially all of the Group's assets. Under the terms of the facility the Group is required to demonstrate compliance with certain financial covenants relating to the ratios of EBITDA to senior and total debt levels and to interest, the ratio of the committed facility to the net book value of the rental fleet and a maximum capital expenditure covenant.

The Group also has a bank overdraft facility of £11m and a £5.6m (US$10m) line used for letters of credit issued in connection with the Group's insurance programmes. Both these facilities are also committed to 28 September 2007. At 30 April 2004, £3.3 million was outstanding under the overdraft facility and the letter of credit line was fully utilised. The amounts outstanding under these supplementary facilities are secured on the same basis as the senior secured credit facility and are effectively subject to the same covenants and to similar amortisation and cash sweep arrangements.

12% second priority senior secured notes due 2014 having a nominal value of £120 million

On 16 April 2004 the Group, through its wholly owned subsidiary Ashtead Holdings plc, issued £120m of 12% second priority senior secured notes due 1 May 2014. The funds received were used to permanently prepay $200 million of the amount outstanding under the senior secured credit facility and, in conjunction with funds from our own resources, additionally to pay down $50m of a revolving tranche of that facility. The notes are secured by second priority security interests over substantially the Group's same assets as the senior secured credit facility and are also guaranteed by Ashtead Group plc.

Notes to the financial statements

16 Creditors – amounts falling due in more than one year continued

5.25% unsecured convertible loan note due 2008 having a nominal value of £134 million
This loan note is convertible, at the holder's option, into 89,333,333 ordinary shares at any time after 1 June 2001 and if not converted is redeemable at par on 31 March 2008. The loan note may only be transferred with the consent of the Company which will be granted if the Company is satisfied that the transferee (and any connected persons) would not, in consequence of the transfer, hold 10% or more of the issued share capital of the Company after conversion. Certain orderly marketing restrictions also apply to any ordinary shares issued on conversion.

Future payments of the semi-annual interest under the convertible loan note may, under certain conditions, be postponed for up to 180 days by the Company's senior lenders and are, additionally, subject to constraints set out in the agreement governing the second priority senior secured notes, due 2014.

The holder of the convertible loan note, a subsidiary of Rentokil Initial plc, has agreed that, in the event that the Company is prohibited by these constraints from paying the interest on the convertible loan note, then such non-payment shall not constitute a default and instead the amount of any unpaid interest shall be carried forward to the next interest payment date and paid at that time provided sufficient earnings are available. If they are not then the amount unpaid is again carried forward.

In return for these concessions the Company agreed during the year with Rentokil Initial plc that the holder of the convertible note will receive a fee of £2m payable at the time the convertible loan note is repaid. This fee, together with the unpaid interest relating to the missed April and October 2003 interest payments, has been expensed in the year and both are included in other creditors due after one year.

The Board considers that these facilities provide adequate funding for the Group and that anticipated future cash generation, together with current cash balances and undrawn amounts, is sufficient to meet the agreed facility reductions and the ongoing needs of the business.

17 Financial instruments

A discussion of financial instruments used by the Group and its approach to managing foreign exchange risk are included in the operating and financial review. Short term debtors and creditors have been excluded from all the following disclosures (except the currency profile of monetary assets).

a) The currency and interest rate profile of the Group's financial assets is:

	Total £m	Floating rate deposits £m	Financial assets on which no interest is received £m
At 30 April 2004:			
Sterling	0.2	–	0.2
US dollar	9.3	9.1	0.2
Euro	0.2	0.2	–
Singapore dollar	0.2	0.2	–
	9.9	9.5	0.4
At 30 April 2003:			
Sterling	1.0	0.8	0.2
US dollar	8.2	8.1	0.1
Euro	0.9	0.9	–
Singapore dollar	0.2	0.2	–
	10.3	10.0	0.3

Floating rate financial assets are deposited for variable periods at prevailing money market rates.

Notes to the financial statements

17 Financial instruments continued

b) The currency and interest rate profile of the Group's financial liabilities is:

	Total £m	Floating rate borrowings £m	Fixed rate borrowings £m	Weighted average interest rate at 30 April %	Weighted average time for which rate is fixed Years
At 30 April 2004:					
Sterling	271.9	21.1	250.8	8.6	6.8
US dollar	200.5	136.4	64.1	5.5	1.9
Euro	12.0	12.0	–	6.1	–
	484.4	169.5	314.9	6.8	5.8
At 30 April 2003:					
Sterling	167.3	31.5	135.8	5.8	5.0
US dollar	389.4	216.4	173.0	6.0	0.4
Euro	18.4	18.4	–	6.6	–
	575.1	266.3	308.8	5.9	2.4

The Group's sterling fixed rate borrowings at 30 April 2004 comprised the £130.6m 5.25% unsecured convertible loan note, due 2008, the £115.6m second priority senior secured note due 2014, £0.2m of fixed rate loan notes issued by the Company and £4.4m of sterling finance lease obligations. The fixed rate US dollar borrowings relate to US$100m (£56.4m) of the borrowings under the Group's secured loan facility on which interest rates have been fixed by means of an interest rate swap executed in May 2003 with Bank of America and to £7.7m of US dollar finance lease obligations. Interest payable on floating rate borrowings is linked to LIBOR rates for the relevant currency. Excluded from the table above are long term sterling denominated creditors of £9.4m due in March 2008, £7.4m of this amount bears interest at Barclays Bank's base rate plus 2%.

c) Currency profile of monetary liabilities

During the year the Company has used financial instruments for the purpose of managing funding, interest rate and currency risk. Such derivative financial instruments are only used to manage or hedge underlying exposures and not to create exposures. At 30 April 2004 the only currency exposures in the Group's operations in currencies other than their own functional currency related to payables of £1.9m (2003 – £3.1m) in the US payable in Euros, £10.2m (2003 – £nil) in the UK receivable in US dollars and £nil (2003 – £0.1m) in the Republic of Ireland payable in pounds sterling.

d) Maturity of financial liabilities

	2004 £m	2003 £m
In one year or less	**15.6**	10.6
In more than one year but not more than two years	**9.7**	421.7
In more than two years but not more than five years	**343.5**	142.6
In more than five years	**115.6**	0.2
	484.4	575.1

Notes to the financial statements

17 Financial instruments continued

By type of borrowing, the maturity dates at 30 April 2004 are as follows:

	Amount outstanding at 30 April 2004 £m	Date facility matures*
Bank overdraft	3.3	28 September 2007**
First priority senior secured credit facility	222.6	28 September 2007
5.25% unsecured convertible loan note, due 2008	130.6	31 March 2008
Ashtead Group plc loan notes	0.2	31 December 2008
Finance lease obligations	12.1	Various through 2007
Second priority 12% senior secured note due 2014	115.6	1 May 2014
	484.4	

* See note 16 for facility amortisation details.

** Although the overdraft is repayable on demand, the provider of that facility has formally advised the Company that the facility is available until at least 28 September 2007 so long as the Company is in compliance with the quarterly covenants under the senior secured credit facility.

e) Borrowing facilities

Undrawn committed facilities at 30 April 2004 totalled £35.9m (US$62.8m) and comprised £28.2m (US$50m) relating to the undrawn balance of the revolving loan commitment under the Group's senior secured bank loan facility and £7.7m relating to undrawn overdraft facilities, both of which expire in more than two years but less than five years.

f) Fair value of financial assets and liabilities

The table below provides a comparison, by category of the carrying amounts and the fair values of the Group's financial assets and liabilities at 30 April 2004. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties and includes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates.

Summary of methods and assumptions

- Bank loans and overdraft, loan notes and cash – fair value approximates to the carrying value because of the short maturity of these items or because they bear interest at floating rates which are reset to market rates at intervals of less than one year.
- Finance lease obligations – fair value is calculated by reference to the present value of the cash flows implicit in these liabilities discounted at current market rates for equivalent financial liabilities.
- Second priority senior secured note – fair value is determined by reference to market quotations.
- 5.25% convertible loan note and finance lease obligations – fair value is calculated by reference to the present value of the cash flows implicit in these liabilities discounted at current market rates for equivalent financial liabilities together with, in the case of the convertible loan note, an estimate of the option value implicit in the conversion option calculated using a suitable option pricing model.
- Interest rate swap agreements – fair value is determined by reference to market quotations obtained with reference to interest rates ruling at 30 April 2004.

Primary financial instruments held or issued to finance the Group's operations:

	At 30 April 2004		At 30 April 2003	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Short term borrowings and overdrafts	**9.9**	**9.9**	7.1	7.1
Finance lease obligations	**12.1**	**12.0**	22.4	19.5
Other secured bank loans and overdrafts (all of which bear interest at floating rates)	**216.0**	**216.0**	415.6	415.6
Other loan notes	**0.2**	**0.2**	0.2	0.2
12% second priority senior secured notes	**115.6**	**115.6**	–	–
5.25% unsecured convertible loan note	**130.6**	**105.3**	129.8	99.6
Cash at bank	**(9.9)**	**(9.9)**	(10.3)	(10.3)
	474.5	**449.1**	564.8	531.7
Derivative financial instruments held to manage interest rate profile:				
Interest rate swaps (net loss)	**–**	**0.1**	–	4.9

Notes to the financial statements

17 Financial instruments continued

In line with the Group's accounting policy of accounting for derivatives used to manage the balance between fixed and floating rate interest rates on long term debt rateably in earnings over the period of the contracts, half of the total unrecognised loss on the interest rate swaps of £0.1m at 30 April 2004 will be recognised in the year ending 30 April 2005.

18 Provisions for liabilities and charges

Deferred taxation

	2004 £m	2003 £m
Liability recognised in the accounts:		
– Short term timing differences	**(14.8)**	(12.9)
– Tax effect of losses in subsidiary company	**(42.0)**	(56.2)
– Accelerated capital allowances	**84.5**	97.7
	27.7	28.6
Unrecognised deferred tax asset relating to:		
– Accelerated capital allowances	**27.1**	17.2
– Tax losses in subsidiary company	**1.1**	0.7
– Short term timing differences	**0.5**	0.2
	28.7	18.1

The movement in the year in the liability provided is:

	£m	£m
At 1 May	**28.6**	41.1
Exchange differences	**(2.9)**	(3.2)
Charged/(credited) to profit and loss account	**2.0**	(9.3)
At 30 April	**27.7**	28.6

No deferred tax has been provided in respect of the surplus arising on revaluation of the Group's properties because all of the properties are employed in the Group's business, and it is not the Group's intention to dispose of any of them. In any event, the likelihood of a material tax liability arising on disposal is remote due to the availability of rollover relief. Additionally no deferred tax is provided on the unremitted earnings of overseas subsidiaries because it is not intended to remit these in the foreseeable future. The Group's unrecognised deferred taxation assets relate to operations in the UK and have not been recognised as it is not regarded as more likely than not that they will be recovered. Deferred taxation assets not recognised would be recoverable in the event that they reverse and taxable profits are available.

Other provisions

	Self insurance £m	Other £m	Total £m
At 1 May 2003	13.4	3.5	16.9
Transfer from/(to) other creditors	0.7	(0.8)	(0.1)
Exchange differences	(1.3)	–	(1.3)
Utilised	(7.9)	(1.7)	(9.6)
Charged in the year	7.7	1.1	8.8
At 30 April 2004	**12.6**	**2.1**	**14.7**

Self insurance provisions relate to the discounted estimated liability in respect of costs to be incurred under the Group's self insured programmes for events occurring up to the year end. The provision is established based on advice received from independent actuaries of the estimated total cost of the self insured retained risk based on historical claims experience. Other provisions relate primarily to vacant property costs which are expected to be utilised over a period of up to five years.

Notes to the financial statements

19 Called up share capital

Ordinary shares of 10p each	**2004 Number**	2003 Number	**2004 £m**	2003 £m
Authorised	**450,000,000**	450,000,000	**45.0**	45.0
Allotted, called up and fully paid	**325,656,564**	325,655,164	**32.6**	32.6

Details of the 5.25% unsecured convertible loan note due 2008 are provided in note 16.

20 Movements in shareholders' funds

	Share capital £m	Share premium account £m	Revaluation reserve £m	Own shares held by ESOT £m	Profit and loss account £m	Total £m	2003 £m
Group							
Loss for the financial year	–	–	–	–	(34.8)	(34.8)	(33.2)
Other recognised gains and losses relating to the year	–	–	–	–	4.9	4.9	(0.4)
Goodwill transferred to profit and loss account in respect of businesses sold in the year	–	–	–	–	2.3	2.3	–
Share capital subscribed	–	–	–	–	–	–	0.1
Net reductions to shareholders' funds	–	–	–	–	(27.6)	(27.6)	(33.5)
At 1 May 2003 as previously reported	32.6	100.7	0.5	–	27.2	161.0	194.5
Prior year adjustment	–	–	–	(1.6)	–	(1.6)	(1.6)
At 1 May 2003 as restated	32.6	100.7	0.5	(1.6)	27.2	159.4	192.9
Closing shareholders' funds	**32.6**	**100.7**	**0.5**	**(1.6)**	**(0.4)**	**131.8**	**159.4**
Company							
(Loss)/profit for the financial year	–	–	–	–	(8.4)	(8.4)	2.7
Other recognised gains and losses relating to the year	–	–	(198.6)	–	–	(198.6)	(0.1)
Share capital subscribed	–	–	–	–	–	–	0.1
Net (reductions)/additions to shareholders' funds	–	–	(198.6)	–	(8.4)	(207.0)	2.7
At 1 May 2003 as previously reported	32.6	100.7	198.6	–	11.4	343.3	340.6
Prior year adjustment	–	–	–	(1.6)	–	(1.6)	(1.6)
At 1 May 2003 as restated	32.6	100.7	198.6	(1.6)	11.4	341.7	339.0
Closing shareholders' funds	**32.6**	**100.7**	**–**	**(1.6)**	**3.0**	**134.7**	**341.7**

As described in note 1 the prior year adjustment relates to the reclassification of the Company's shares held by the ESOT from fixed assets to shareholders' funds consequent upon the implementation in the year of UITF Abstract number 38.

The ESOT, which is established in Jersey, holds an interest in 2,723,461 ordinary shares of the Company acquired at a cost of 57p per share. These shares had a market value at 30 April 2004 of £0.8m. As described in the directors' remuneration report, 2,072,582 of these shares, relate to matching awards to directors under the Company's Investment Incentive Plan.

Notes to the financial statements

21 Disposal of businesses

During the year the Group sold its non-core businesses of Big Air, Mast Climbing and its Irish business. Total net proceeds are estimated at £15.7m, £15.3m of which had been received at 30 April 2004 with the balance payable in stages in the coming months following finalisation of asset values. The businesses sold contributed turnover of £7.4m (2003 – £13.2m) and operating profit of £0.1m (2003 – £1.0m) to the results for the year.

The loss on disposal can be summarised as follows:

	£m
Book value of assets sold	17.2
Net proceeds on disposal of businesses	(15.7)
Goodwill previously written off to reserves	2.3
Loss on disposal of businesses	3.8

22 Operating leases

Minimum annual commitments under existing operating leases may be analysed by date of expiry of the lease as follows:

	2004 £m	2003 (restated) £m
Land and buildings:		
Expiring in one year	**0.5**	0.2
Expiring between two and five years	**8.2**	5.0
Expiring in more than five years	**7.2**	9.1
	15.9	14.3
Other:		
Expiring in one year	**1.0**	0.9
Expiring between two and five years	**7.4**	8.6
Expiring in more than five years	**0.4**	0.4
	8.8	9.9
Total	**24.7**	24.2

Total minimum commitments under existing operating leases at 30 April 2004 through to the end of their respective term by year are as follows:

Financial year	Land and buildings £m	Motor vehicles £m	Other £m	Total £m
2005	15.9	8.2	0.6	24.7
2006	15.3	6.5	0.4	22.2
2007	14.9	4.1	–	19.0
2008	14.6	2.1	–	16.7
2009	14.3	0.5	–	14.8
Thereafter	77.1	0.2	–	77.3
	152.1	21.6	1.0	174.7

Notes to the financial statements

23 Pensions

The Group operates pension plans for the benefit of qualifying employees. The major plans for new employees throughout the Group are all defined contribution plans following the introduction of the new stakeholder pension plan for UK employees in May 2002.

The Group also has a number of defined benefit plans of which the largest is the former plan for UK employees. This plan, which was closed to new members in 2001, is a funded defined benefit plan with trustee administered assets held separately from those of the Group. The latest triennial actuarial valuation of this plan was performed as at 30 April 2001 by a qualified actuary employed by Aon Limited using the projected unit credit method. The other defined benefit plans have also been valued for accounting purposes by qualified actuaries as at 30 April 2004 using methodologies appropriate to the nature of each plan.

The principal actuarial assumptions used in the main UK plan for funding and for accounting purposes were the same except for the pre-retirement investment return where 6.9% per annum and 7.25% per annum were used respectively for past service and future service for funding purposes against 7.9% per annum in both cases for accounting purposes and the assumed annual increase in salaries which was 4.5% for funding purposes and 4.0% for accounting purposes. The other main assumptions for both funding and accounting purposes were the post-retirement investment return for current pensioners of 5.1% and for non-current pensioners of 5.25% and the annual inflation rate of 2.5%.

On a combined basis the market value of the plan assets at the respective valuation dates was £23.6m. On an on-going basis, assets at market value were sufficient to cover 81.0% of the benefits that had accrued to members on the funding basis and 89.0% on the SSAP 24 accounting basis. On the advice of the actuary, employer contributions were paid to the main UK plan during the year ended 30 April 2004 at the rate of 15.0% of members' pensionable salaries at 1 May 2003 (increased from 11.0% from 1 May 2003). In the case of the other plans contributions were at the amounts set by the actuary. For accounting purposes, the actuarial deficit in each plan is being spread over the average remaining expected service life of the employees in the plan.

The table below shows the employer's cost calculated in accordance with the provisions of SSAP 24 for the main UK plan and for the other plans:

	2004 £m	2003 £m
Defined contribution plans	**1.3**	1.3
Defined benefit plans:		
– regular cost	**2.3**	1.5
– variation from regular cost	**0.1**	1.0
	3.7	3.8
Accrual for unfunded pensions	**0.1**	0.1

Additional pension disclosures under FRS 17

Each of the Company's defined benefit pension commitments were valued at 30 April 2004 under the provisions of FRS 17 by independent qualified actuaries using the projected unit valuation method. The major financial assumptions applied by the actuary were:

	2004	2003	2002
Rate of increase in salaries	**4.0%**	4.0%	4.25%
Rate of increase in pensions in payment	**2.75%**	2.5%	2.5%
Discount rate	**5.7%**	5.5%	6.0%
Inflation assumption	**3.0%**	2.5%	2.75%

Notes to the financial statements

23 Pensions continued

The fair value of the assets in the scheme, the present value of the scheme liabilities and the expected rate of return at each balance sheet date were:

	2004		2003		2002	
	%	**£m**	%	£m	%	£m
Equities	**7.4%**	**17.3**	7.3%	15.6	6.9%	17.3
Bonds	**5.4%**	**9.0**	5.0%	4.1	5.5%	3.1
Property	**7.4%**	**2.3**	7.3%	2.1	6.9%	2.0
Cash	**4.0%**	**0.8**	4.0%	0.7	4.0%	1.4
Total market value of assets		**29.4**		22.5		23.8
Present value of schemes' liabilities		**41.9**		37.0		30.9
Net deficit on the basis prescribed by FRS 17		**12.5**		14.5		7.1

Were FRS 17 to have been applied in the accounts at 30 April 2004 the impact on profit and loss account reserves would have been as follows:

	2004 £m	2003 £m
Profit and loss reserve as reported in the accounts at 30 April 2004	**(0.4)**	27.2
Amounts included in the balance sheet in the accounts	**0.1**	0.1
FRS 17 pension liability	**(12.5)**	(14.5)
Profit and loss reserve at 30 April 2004 if FRS 17 had been applied	**(12.8)**	12.8

The amount charged to the profit and loss account if the FRS 17 basis of accounting had been applied would have been:

	2004 £m	2003 £m
Charged within operating costs:		
Current service cost – defined benefit plans	**2.3**	2.0
Current service cost – defined contribution plans	**1.3**	1.3
Curtailment gain	**(0.2)**	–
	3.4	3.3
Charged within net interest payable and similar charges:		
Expected return on pension scheme assets	**1.6**	1.7
Interest on pension liabilities	**(2.1)**	(1.9)
	(0.5)	(0.2)
Amounts recognised in the statement of total recognised gains and losses:		
Actual return less expected return on pension scheme assets	**2.9**	(5.4)
Experience (losses)/gains arising on scheme liabilities	**(0.7)**	0.5
Impact of changes in assumptions relating to the present value of scheme liabilities	**–**	(2.7)
Actuarial gain/(loss)	**2.2**	(7.6)
Movement in deficit during the year:		
At 1 May	**14.5**	7.1
Current service cost	**2.3**	2.0
Contributions	**(2.4)**	(2.4)
Other finance expense	**0.5**	0.2
Curtailment gains	**(0.2)**	–
Actuarial (gain)/loss	**(2.2)**	7.6
At 30 April	**12.5**	14.5

The movement in the year from a deficit of £14.5m to a deficit of £12.5m is attributable to an increase in the market value of assets exceeding the increase in the schemes' liabilities. During the year the main indices against which the schemes' assets are benchmarked increased by approximately 30%.

Notes to the financial statements

23 Pensions continued

	2004 £m	2003 £m
History of experience gains and losses:		
Difference between actual and expected return on scheme assets:		
– amount	**2.9**	(5.4)
– percentage of scheme assets	**10%**	(24%)
Experience gains and losses on scheme liabilities:		
– amount	**(0.7)**	0.5
– percentage of the present value of scheme liabilities	**(2%)**	1%
Total amount recognised in the statement of total recognised gains and losses		
– amount	**2.2**	(7.6)
– percentage of the present value of scheme liabilities	**5%**	(21%)

FRS 17 requires that the pension schemes are valued using market conditions at the Company's year end. This may produce a volatile figure for the surplus or deficit as, given a large proportion of the plan assets are held in equities, it is largely dependent on the level of the stockmarket at the Company's year end.

24 Notes to the cash flow statement

a) Cash flow from operating activities

	2004 £m	2003 £m
Operating profit	**16.2**	0.6
Depreciation of tangible fixed assets	**105.1**	116.8
Amortisation	**9.2**	9.0
Exceptional items excluding impairment	**16.5**	23.7
EBITDA	**147.0**	150.1
Profit on sale of tangible fixed assets	**(5.2)**	(2.7)
(Increase)/decrease in stocks	**(4.4)**	1.3
Decrease in trade debtors	**0.5**	5.4
Increase in trade creditors	**0.9**	2.5
Exchange differences	**1.2**	0.7
Net cash inflow from operating activities before exceptional items	**140.0**	157.3
Exceptional costs	**(11.1)**	(4.4)
Movement in non-recourse financing received under trade debtors securitisation	**(2.2)**	57.4
Net cash inflow from operating activities	**126.7**	210.3

b) Reconciliation to net debt

	2004 £m	2003 £m
Decrease/(increase) in cash in the period	**0.8**	(9.2)
Increase in cash collateral balances	**(2.6)**	(3.7)
Decrease in bank loans	**(156.6)**	(53.9)
Increase in second priority senior secured note due 2014	**115.6**	–
Decrease in finance lease obligation	**(8.6)**	(11.9)
Change in net debt from cash flows	**(51.4)**	(78.7)
Translation difference	**(39.7)**	(38.3)
Non cash movement		
– 5.25% unsecured convertible loan note, due 2008	**0.8**	0.1
– obligation due on finance leases	**–**	6.4
Movement in net debt in the period	**(90.3)**	(110.5)
Net debt at 1 May	**564.8**	675.3
Net debt at 30 April	**474.5**	564.8

Notes to the financial statements

24 Notes to the cash flow statement continued

c) Analysis of net debt

	1 May 2003 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	30 April 2004 £m
Cash	(6.6)	0.4	2.3	–	(3.9)
Cash collateral balances	(3.7)	0.3	(2.6)	–	(6.0)
Overdrafts	4.8	–	(1.5)	–	3.3
	(5.5)	0.7	(1.8)	–	(6.6)
Debt due after one year	564.5	(36.7)	(63.1)	0.8	465.5
Debt due within one year	5.8	(3.7)	13.5	–	15.6
Total net debt	564.8	(39.7)	(51.4)	0.8	474.5

Non-cash movements relate to accrued interest on the 5.25% unsecured convertible loan note, due 2008. The combined total of cash and cash collateral balances (which are restricted cash held to secure letters of credit) of £9.9m (2003 – £10.3m) is classified in the balance sheet as cash at bank and in hand.

d) Acquisitions and disposals

	2004 £m	2003 £m
Deferred consideration paid on prior year acquisitions	**(0.1)**	(0.8)
Net proceeds from sale of non-core businesses	**15.3**	–
	15.2	(0.8)

e) Drawdown/redemption of loans

	2004 £m	2003 £m
Drawdown of loans		
Second priority senior secured notes due 2014 (net of costs)	**115.6**	–
Bank loans	**–**	11.9
	115.6	11.9
Redemption of loans		
Bank loans	**(156.6)**	(65.7)
Other loan notes	**–**	(0.1)
	(156.6)	(65.8)
Total net redemption in the year	**(41.0)**	(53.9)

f) Exceptional items

Exceptional costs paid in the year comprise £11.1m classified under operating activities relating to advisory, accounting and legal costs incurred in connection with the Group's debt facilities and a further £7.1m classified under servicing of finance relating to amounts paid to providers of finance.

Notes to the financial statements

25 Contingent liabilities

The Group is subject to periodic legal claims in the ordinary course of its business. However, the claims outstanding at 30 April 2004 are not expected to have a significant impact on the Group's financial position.

The Company has guaranteed the borrowings of its subsidiary undertakings under the Group's senior secured credit and overdraft facilities. At 30 April 2004 the amount borrowed under these facilities was £225.9m (30 April 2003 – £417.9m). The Company is also guarantor to a letter of credit facility provided to Sunbelt. At 30 April 2004, letters of credit issued by the provider under these arrangements totalled £11.6m (US$20.6m), of which £6.0m (US$10.6m) was collateralised by cash deposited by Sunbelt with the provider of this facility. Additionally the Company has guaranteed the 12% second priority senior secured notes with a par value of £120m issued by Ashtead Holdings plc.

The Company has also guaranteed operating lease commitments of subsidiary undertakings where the minimum lease commitment at 30 April 2004 totalled £63.7m (2003 – £77.1m) in respect of land and buildings and £13.8m (2003 – £23.0m) in respect of other operating lease rentals of which £5.2m and £5.5m respectively is payable by subsidiary undertakings in the year ending 30 April 2005.

The Company has guaranteed the performance by subsidiaries of certain other obligations up to £1.4m (2003 – £1.6m).

26 Capital commitments

At 30 April 2004 capital commitments in respect of purchases of rental equipment totalled £22.4m (2003 – £2.2m), all of which had been ordered. There were no other material capital commitments at the year-end.

27 Related party transactions

During the year Sunbelt incurred £10,959 for the purchase of artwork, equipment decals and business cards from Images Unlimited, a company controlled by the wife of Mr Dressel, a former director of the Company. The amount due to Images Unlimited at the end of the year was £nil.

28 Employees

The average number of employees during the year was as follows:

	2004	2003
North America	**3,763**	3,878
United Kingdom	**2,187**	2,500
Rest of World	**10**	9
	5,960	6,387

Our locations

Sunbelt

Alabama
Alabama Pump & Power
Birmingham
Birmingham Scaffolding
Pelham

Allegheny
Ashland
Charleston
Charlottesville
Roanoke
Winchester

Capital
Frederick
Fredericksburg
Gaithersburg
Manassas
McLean
Northern Pile Driving
Springfield
Sterling

Central
Charlotte
Charlotte AWP
Charlotte Pump & Power
Charlotte Scaffolding
Concord
Gastonia
Hickory
Indian Trail
Mooresville
Pineville
Rock Hill

Central Florida
East Orlando
Lake Fairview
Mid City Orlando
Orlando
Orlando AWP
Orlando Pump & Power
Orlando Scaffolding
Orlando Traffic Safety
Sanford
Titusville
Winter Garden

Coastal Atlantic
Charleston
Charleston Scaffolding
Coastal Pump & Power
Hilton Head
Little River
Mobile Industrial Resources
Myrtle Beach
Savannah
Summerville
Wilmington
Wilmington Industrial Resources
Wilmington Scaffolding

Delaware Valley
Pennsauken
Philadelphia
Southampton
South Jersey Pump & Power
Swedesboro

Florida Gulf
Fort Myers
Fort Myers Mast Climbers
Fort Myers Scaffolding
Oldsmar
Tampa
Tampa AWP
Tampa Pump & Power
Tampa Scaffolding

Inland Mountain
Boise
Las Vegas
Tempe
West Valley

Mid Altantic
Durham
Fayetteville
Greensboro
Raleigh
Raleigh AWP
Raleigh Pump & Power
Wake Forest
Winston Salem
Winterville

North Florida
Brunswick
Jacksonville
Jacksonville AWP
Jacksonville Pump & Power
Jacksonville Scaffolding
Orange Park
West Jacksonville

North Georgia
Atlanta AWP
Atlanta Pump & Power
Atlanta Scaffolding
Covington
Douglasville
Duluth
Kennesaw
Lake Lanier
Macon
Mid Town Atlanta
Riverdale

North Texas
Arlington
Austin
Dallas
Kyle

Northern
Baltimore
Finksburg
Hunt Valley
Laurel
Maryland Pump & Power
Parkville
Vancouver
Waldorf
Washington
Washington Access

Northern California
Belmont
Belmont Scaffolding
Concord Scaffolding
Fresno
Sacramento
Sacramento Scaffolding

Ohio Valley
Cincinnati
Clarksville
Columbus
Dayton
Florence
Lexington
Louisville
Louisville Scaffolding
Reynoldsburg

Oregon
Albany
Eugene
Eugene Scaffolding
Gresham
Hillsboro
Longview Scaffolding
Portland
Portland Scaffolding
Salem
Salem Scaffolding

South Florida
Fort Lauderdale
Pembroke Pines
South Florida AWP
South Florida Scaffolding
West Palm Beach
West Palm Beach Pump & Power

Southern Virginia
Chesapeake
East Richmond
Hampton Roads Scaffolding
Newport News
Richmond
Richmond AWP
Richmond Scaffolding
Virginia Beach
Virginia Beach Pump & Power
West Creek

South Texas
Beaumont
Houston Scaffolding
Houston AWP
Houston General Tool
San Antonio

South Central
Evansville
Granite City
Indianapolis
Kokomo
Layfayette
St Louis

Southern California
Fontana
La Mirada
Los Angeles

Tennessee
Clarksville
Decatur
La Vergne
Nashville
Nashville Pump & Power
Nashville Scaffolding
Rivergate

Upstate South Carolina
Augusta
Cayce
Columbia
Florence
Greenville
Spartanburg

Washington
Kent AWP
Kent Scaffolding
Lakewood
Lynwood
Pasco
Pasco Scaffolding
Redmond
Seattle Pump & Power
Tacoma
Tacoma Industrial Resources
Tacoma Scaffolding
Woodinville

Western Central
Bloomington
Chicago
Chicago Pump & Power
Decatur
Des Moines
East Peoria
Joliet
Lansing
Moline
South Bend
Toledo

Our locations

A-Plant

Midlands Plant
Boston
Chesterfield
Coventry
Derby Ascot
Leicester
Lincoln
Milton Keynes
Northampton
Nottingham
Nottingham Central
Oldbury
Sleaford
Stoke
Telford
Walsall Wood

North Plant
Astley
Barrow
Bradford
Carlisle
Deeside
Hull
Immingham
Kendal
Leeds
Leeds Central
Liverpool
Newcastle
Reddish
Rotherham
Sheffield
Teeside
Whitehaven
York

South East & London Plant
Barking
Battersea
Cambridge
Canterbury
Colchester
Ford
Ipswich
Leatherhead
Letchworth
Long Stratton
Maidstone
Medway
Southampton

Scotland Plant
Aberdeen
Ayr
Cumbernauld
Dundee
Earlston
Edinburgh
Falkirk
Glasgow
Inverness
Kilmarnock

South West & Home Counties Plant
Aylesbury
Barnstaple
Bodmin
Bridgend
Bridgwater
Bristol
Cardiff
Exeter
Heathrow
Milford Haven
Plymouth
Staines
Swansea
Swindon
Thatcham
Watford
Weymouth

East Anglia Tool
Basildon
Hemel Hempstead
Ipswich
Lowestoft
Luton
Northampton
Norwich

East Midlands Tool
Burton
Chesterfield North
Derby North
Derby South
Doncaster
Grantham
Heanor
Kesteven
Leicester City
Lincoln
Newark
Nottingham East
Nottingham West
Scunthorpe
Sheffield

Lifting & Safety
Midlands Lifting & Safety

London/South East Tool
Arundel
Battersea
Bow
Fareham
Gatwick
Heathrow
Lancing
Leatherhead
Maidstone
Romford
Southwark
Staples Corner

Midlands/South West Tool
Birmingham
Bristol St Phillips
Cardiff
Coventry
Erdington
Newport
Nuneaton
Redditch
Stoke
Telford
Wolverhampton

North & Scotland Tool
Edinburgh
Egremont
Gateshead
Glasgow
Hartlepool
Sunderland
Teeside
Tyneside

North Central Tool
Blackpool
Ellesmere Port
Hull
Leeds
Leeds City
Liverpool North
Liverpool City
Manchester
Oldham
Salford
Warrington
Wetherby

Powered Access
Aberdeen
Avonmouth
Birmingham
Brentwood
Bridgend
Height Safety Training
Kendal
Leeds
Manchester
Northampton
Nottingham
Southampton
Stockton

Accommodation
Basildon
Bedford
Bridgend
Coventry
Exeter
Kilmarnock
Leeds
Lincoln
Maidstone
Manchester
Modular accommodation
Nottingham
Southampton

Acrow
Aberdeen
Cardiff
Chesterfield
Colnbrook
Edinburgh
Glasgow
Leeds
Liverpool
Manchester
Newcastle
Norwich
Romford
Tavistock
Walsall

Groundcare
Abergavenny
Irvine
Manchester
Storrington

Pumps
Falkirk
Leeds
Loughborough
Preston
Romsey
Tottenham

Power Generation & Rentarc
Aberdeen
Barton on Humber
Birkenhead
Carlisle
Derby
Eastleigh
East London
London Powergen
Lowestoft
Manchester
Newmains
Newport
Salford
Stockton
Walsall

Rail
Avonmouth
Derby
Manchester
Norwich
Romford
Perth
West London

Traffic
Astley
Bradford
Colnbrook
Glasgow
Loughborough
Milton Keynes
Perth
Romford
Teesside

Ashtead Technology Rentals

UK
Aberdeen
Hitchin

USA
Hayward, California
Houston, Texas
Irvine, California
Rochester, New York
Pasadena, Texas

Canada
Mississauga, Ontario

Singapore
Singapore

Ten year history

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
										Year ended 30 April
In £m										
Turnover+	**500.3**	539.5	583.7	552.0	302.4	256.0	202.5	147.6	95.9	67.3
Operating costs+•	**353.3**	389.4	398.6	345.3	181.4	146.4	113.3	85.2	53.7	40.0
EBITDA+•	**147.0**	150.1	185.1	206.7	121.0	109.6	89.2	62.4	42.2	27.3
Depreciation+•	**102.8**	111.0	117.8	117.6	66.8	63.3	48.5	33.2	21.2	13.4
Operating profit+•	**44.2**	39.1	67.3	89.1	54.2	46.3	40.7	29.2	21.0	13.9
Interest+•	**36.6**	40.9	49.1	50.7	10.9	7.7	5.0	1.8	1.2	0.3
Pre-tax profit/(loss)+•	**7.6**	(1.8)	18.2	38.4	43.3	38.6	35.7	27.4	19.8	13.6
Operating profit•	**16.2**	0.6	72.5	68.2	57.1	46.3	40.7	29.2	19.5	13.9
Pre-tax (loss)/profit•	**(33.1)**	(42.2)	(15.5)	11.1	46.2	38.6	35.7	27.4	18.3	13.6
Net cash flow from operating activities	**126.7**	210.3	202.0	173.0	111.4	93.3	77.6	56.5	33.1	26.1
Capital expenditure•	**72.3**	85.5	113.8	237.7	158.2	150.5	153.4	98.9	61.0	38.9
Book cost of rental equipment•	**813.9**	945.8	971.9	962.8	629.5	527.9	394.1	245.6	172.2	102.6
Shareholders' funds•	**131.8**	159.4	192.9	202.1	236.8	207.5	151.3	119.9	107.7	48.8
In pence										
Dividends per share	**Nil**	Nil	3.50p	3.50p	3.16p	2.70p	2.30p	1.825p	1.52p	1.17p
In percent										
EBITDA margin+•	**29.4%**	27.8%	31.7%	37.4%	40.0%	42.8%	44.0%	42.3%	44.0%	40.6%
Operating profit margin+•	**8.8%**	7.2%	11.5%	16.1%	17.9%	18.1%	20.1%	19.8%	21.9%	20.7%
Pre-tax profit/(loss) margin+•	**1.5%**	(0.3%)	3.1%	7.0%	14.3%	16.7%	17.6%	18.6%	20.6%	20.2%
People										
Employees at year end	**5,833**	6,078	6,545	6,043	3,930	3,735	3,174	2,268	1,968	1,250
Locations										
Profit Centres at year end	**428**	449	463	443	352	341	275	181	164	107

+ Before exceptional items and goodwill amortisation. EBITDA, operating profit and pre-tax profit/(loss) are stated before exceptional items but have been adjusted to allocate the impact of the US accounting issues and the change in self insurance estimation method reported in 2003 to 2002 and 2001 and to reflect the BET USA lease adjustment reported in 2002 in 2001. The directors believe these adjustments improve comparability between periods.
• The results for the years up to 30 April 2000 were restated in 2000/1 to reflect the adoption of new accounting policies and estimation techniques under FRS 18 in that year.

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