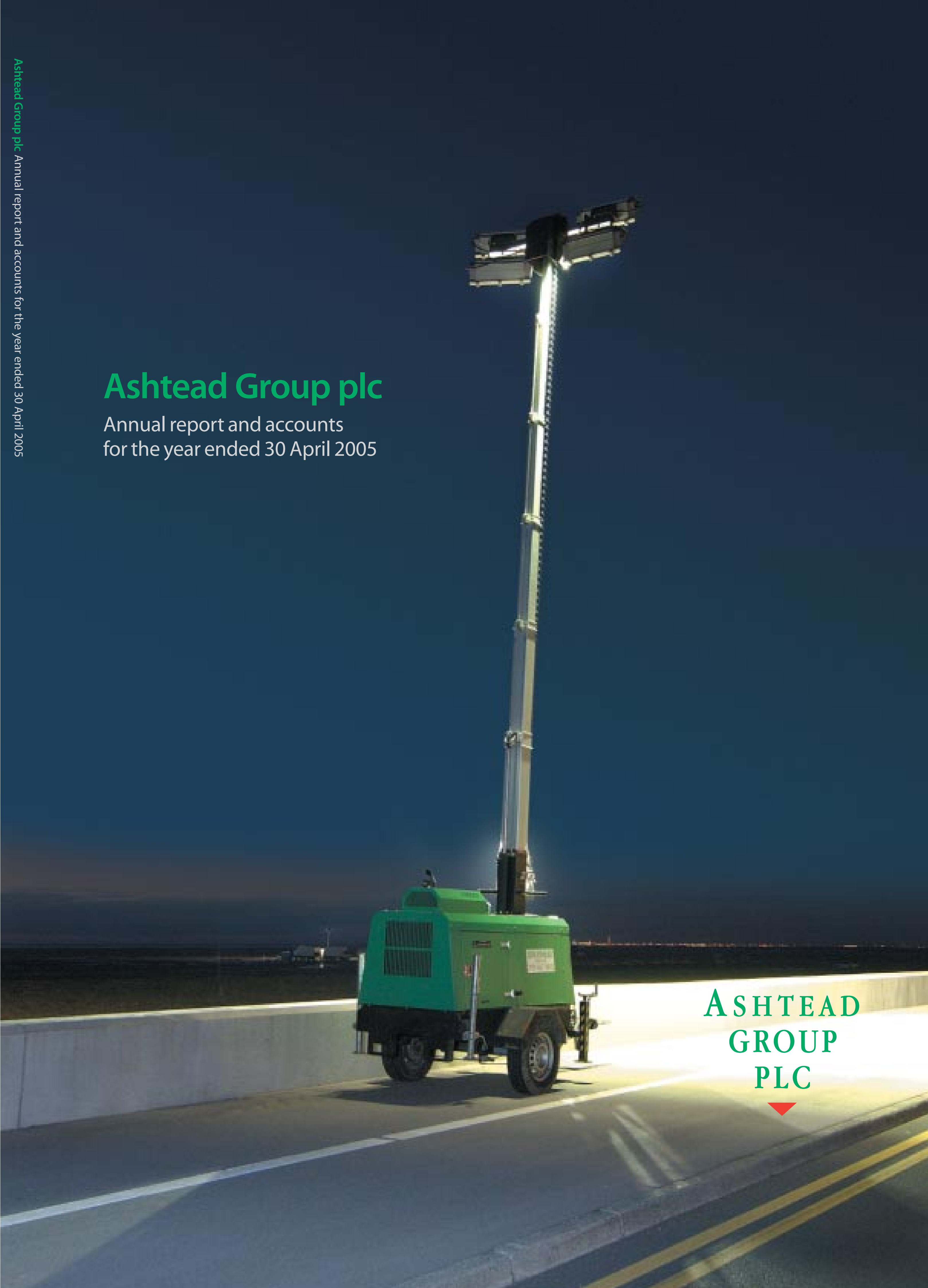


Ashtead Group plc

Annual report and accounts
for the year ended 30 April 2005

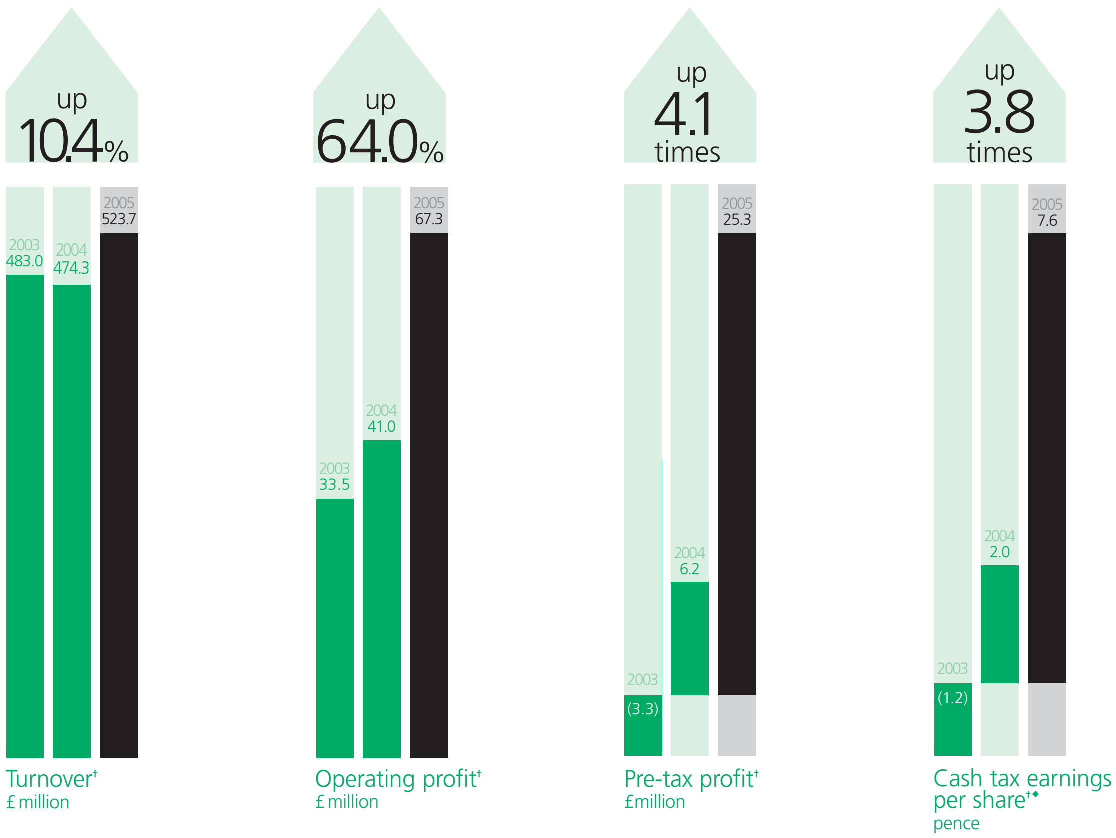
ASHTEAD GROUP PLC

Ashtead Group plc Annual report and accounts for the year ended 30 April 2005

A market leader in equipment rental serving the US and UK construction, industrial and homeowner markets

Financial Highlights

- Group pre-tax profit before goodwill of £25.3m (2004* – £7.6m)
- Group pre-tax profit of £16.4m (2004 – loss of £33.1m)
- Sunbelt profit• up 48% to $108.2m (2004 – $73.3m)
- A-Plant profit• nearly trebled to £11.7m (2004 – £4.0m)
- Debt further reduced by £53.6m from cash flow despite 73% increase in capital expenditure to £125.5m□
- Significant benefits from proposed capital reorganisation



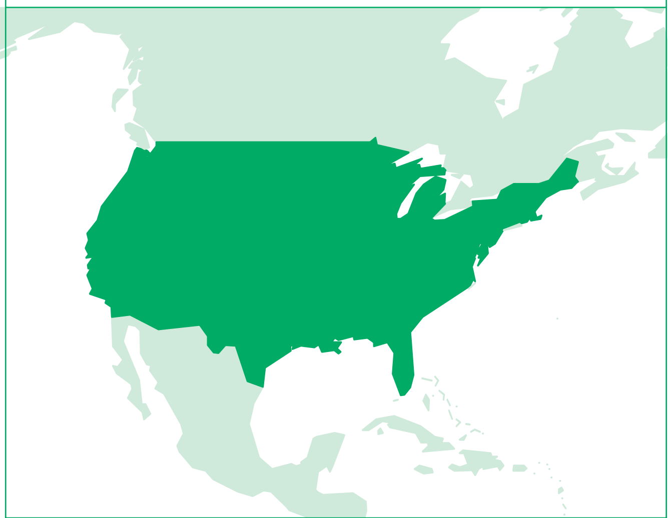
* in 2004, also before exceptional items
• Sunbelt's and A-Plant's profit comprises their operating profit before goodwill amortisation and, in 2004, exceptional items
□ excluding lease capitalisation effects
† At constant exchange rates and before goodwill amortisation and, in 2003 and 2004, exceptional items.
◆ Defined on page 6.

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 RENTALS

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 202 rental locations offering a broad range of both general and specialised equipment supported by the best customer service available.



Turnover up 15.4% to $661.1m

Operating profit up 47.6% to $108.2m

Cliff Miller
President and Chief Executive

"Sunbelt performed strongly in the year with both rental rates and utilisation rising substantially."

A-Plant is the UK's third largest equipment rental company with 202 locations across Britain, more than 1,900 employees and a fleet of over 95,000 pieces of non-operated equipment available for hire. The company's product range extends from power tools, excavators and compressors to accommodation units, portable traffic signals, generators and much more.

Same store turnover up
5.2%
to £156.3m

Operating profit up
2.9 times
to £11.7m

Sat Dhaiwal
Chief Executive

"A-Plant has seen significant benefits this year from the programme to refocus its business completed in January 2004."

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

Turnover up
9.7%
to £12.4m

Operating profit up
25.9%
to £3.4m

Rob Phillips
Chief Executive

"Aided by increased investment by oil and gas majors, Ashtead Technology increased its operating profit by 25.9%."

Chairman's Report

Cob Stenham
Chairman

In concluding last year's report I noted that your Board intended 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, and that we looked forward with guarded optimism. During the year under review we have advanced our twin objectives of improving trading performance while at the same time strengthening our financial position.

The management team should be congratulated on the result which saw last year's pre-tax loss of £33.1m turned into a pre-tax profit of £16.4m this year with no further exceptional items. Before goodwill amortisation, the pre-tax profit was £25.3m (2004 - £7.6m before both goodwill amortisation and exceptional items). Return on operating capital employed rose to 12.6% (2004 – 7.4%). All three of our businesses contributed to this performance.

The Group's financial structure is also now much stronger. Following April 2004's £120m 12% senior secured notes issue which, at the time, was key to the subsequent recovery, in November 2004 we successfully introduced a $675m first priority secured asset based senior bank debt facility. Most recently we announced with our preliminary results, a placing and open offer of ordinary shares to raise approximately £66m net of issue costs which together with concurrent issue of $250m of new senior notes will provide the finance to redeem early the outstanding 5.25% convertible loan note, due 2008 and to reduce interest costs by exercising the option to redeem early the maximum 35% of the £120m 12% senior secured notes.

When finalised, these steps will complete the renewal of all the Group's debt facilities and provide a long-term platform for the Group's future development. The Board also expects the reorganisation will enable it to propose to shareholders the resumption of dividends in respect of the year ending 30 April 2006.

Since my report last year, we have welcomed two new non-executive directors to the Board. Gary Iceton joined last August and brought a wealth of experience in sales and marketing which proved very helpful as we renewed our focus on growth. Geoff Drabble joined us at the end of April and already his active current executive experience at Laird Group, especially in running businesses in the US, has proved of assistance. Gary has joined the Audit Committee and Geoff the Remuneration Committee ensuring that both Committees now again comprise three independent non-executive directors. Philip Lovegrove who has served on the Board since the Company's formation in 1984 will be stepping down this autumn. His contribution to the Company's development has been substantial and I should like to take this opportunity to express our gratitude.

In line with latest Corporate Governance practice, your Board has also reviewed the effectiveness of its operation and that of its Committees. Aided by a 100% attendance record we were able to conclude positively on this review.

Looking forward, your Board believes the strong US and stable UK markets, coupled with the operational expertise of the Group's management and staff, should lead to improved results during the coming year.

I should like to end this report by thanking on your behalf all of the Group's staff who in the last year delivered an outstanding performance.

Cob Stenham
Chairman
6 July 2005

Annual Awards

Profit Centre of the Year Awards – A-Plant

At A-Plant's 'Profit Centre of the Year Awards', the company's Basildon Accommodation location was awarded the ultimate accolade of 'Champion of Champions – A-Plant Profit Centre of the Year 2004/5.' Terry Kingcott, Depot Manager of Basildon Accommodation, received the award from Sat Dhaiwal, A-Plant's CEO.

Profit Centre of the Year Awards – Sunbelt Rentals

At Sunbelt Rentals, the Maryland Pump and Power location received the 'Profit Center of the Year' award for 2004/5. Several key staff are shown with the award cup (from left to right): Scott Fanz, Salesman; John Jeffries, Driver; Don Furr, Profit Center Manager; Stan Bassler, Shop Mechanic; Rodney Huke, Road Mechanic; and Paul Smith, Salesman.

Chief Executive's Review

George Burnett
Chief Executive

Overview

Strong performances by all three of our divisions drove a significant recovery in the Group's results. In the US, Sunbelt's profits rose 48% on revenues up 15% as it continued to take market share in improving trading conditions. In the UK, A-Plant delivered a near trebling of profits and a substantially improved return on capital. Technology is now also benefiting strongly from increased investment in offshore oil exploration globally with its profits up 26% to £3.4m.

For the year to 30 April 2005, Group profit before tax, goodwill amortisation and, in 2004, exceptional items increased to £25.3m from £7.6m in 2004 (£6.2m at constant exchange rates). After goodwill amortisation and exceptional items, pre-tax profits were £16.4m compared with last year's loss of £33.1m. Cash tax earnings per share[1] were 7.6p (2004 – 2.4p). After goodwill amortisation and, in 2004, exceptional items, and the accounting tax charge, basic earnings per share were 0.7p in 2005 compared to the loss of 10.8p in 2004.

The fourth quarter profit before tax, goodwill amortisation and, in 2004, exceptional items was £4.4m (2004 – £3.1m). After goodwill amortisation and exceptional items, the pre-tax profit for the quarter was £2.1m compared with the loss of £10.0m in 2004.

Review of trading

	Turnover*		Divisional operating profit**	
	2005	2004	**2005**	2004
Sunbelt in $m	**661.1**	572.8	**108.2**	73.3
Sunbelt in £m	**355.0**	333.1	**58.1**	42.4
A-Plant	**156.3**	155.9	**11.7**	4.0
Ashtead Technology	**12.4**	11.3	**3.4**	2.7
Group central costs	**–**	–	**(5.9)**	(4.9)
	523.7	500.3	**67.3**	44.2
Interest*			**(42.0)**	(36.6)
Profit before tax**			**25.3**	7.6

*In 2004, before exceptional items. **Before goodwill amortisation and, in 2004, exceptional items.

Despite an 8% year on year decline in the US dollar, Group turnover increased by 4.7% to £523.7m and divisional operating profit by 52.3% to £67.3m. The underlying growth, measured at constant exchange rates, was greater with turnover up 10.4% and divisional operating profit up 64.0%. The Group's profit margin also improved significantly. The Group's return on operating capital employed (excluding goodwill) increased to 12.6% (2004 – 7.4%).

[1] Cash tax earnings per share comprises earnings before goodwill amortisation, exceptional items and deferred tax divided by the weighted average number of shares in issue. Cash tax earnings per share is considered to be a relevant measure of earnings per share for the Company as the deferred tax liability is not expected to crystallise in the foreseeable future.

Sunbelt

Sunbelt performed strongly in the year with both rental rates and utilisation rising substantially. Turnover grew 15.4% to $661.1m (2004 – $572.8m) reflecting growth of approximately 8% in average rental rates and an increase in average utilisation from 65.1% to 69.0%. There was also a modest return to growth in its average fleet size, arising almost entirely from fourth quarter capital expenditure. Turnover growth was broadly based with all regions and all major product areas trading ahead of last year.

In the fourth quarter, turnover increased 11.5% to $159.5m (2004 – $143.1m), a good performance bearing in mind that quarterly comparatives are now with a period last year which had already started to benefit from the recovery in non-residential construction. Rental rates grew 7% in the quarter. The new profit centres opened in the first half continued to progress and further new locations in Miami and Phoenix were opened in the fourth quarter.

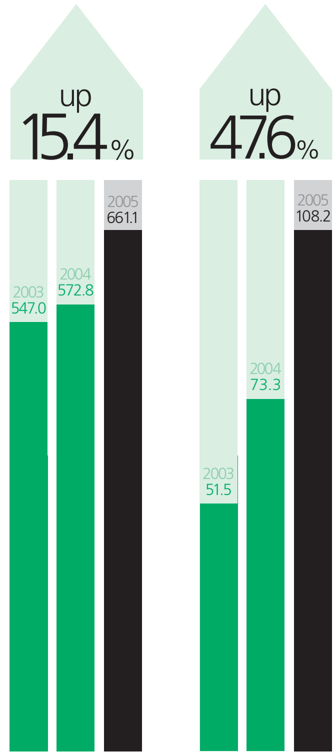
Sunbelt's turnover improvement reflected market share gains and growth in private non-residential construction activity (which rose 5.3% in the year to April 2005 according to figures published by the US Department of Commerce) as well as the continued shift from ownership to rental. Sunbelt's divisional operating profit was up 16.3% in the fourth quarter from $20.2m to $23.5m. Sales of used rental equipment were concentrated in the fourth quarter of last year giving rise to an unusually high incidence of gains on disposal. Excluding this and the lease capitalisation effect explained below, the underlying rate of growth in divisional operating profit was 37.0%. For the year as a whole Sunbelt's divisional operating profit grew 47.6% to $108.2m representing a margin of 16.4% (2004 – 12.8%).

Investments to enhance the network of stores and the mix of our business continue. The acquisition of five stores in the Miami area for consideration of $1.7m at an EBITDA multiple of 2.5 times from HSS RentX announced in May together with our plan to open approximately 10 new general tool and equipment stores across the US on a greenfield basis in the coming financial year will increase fleet investment in higher return areas. Additional infill acquisition opportunities are also under consideration to increase further our share in attractive markets.

We anticipate strong trading conditions in Sunbelt's key US non-residential market in coming years. According to the Dodge Analytics Division of McGraw-Hill Construction, a leading industry research source, US non-residential construction spending is projected to grow by 6.6%, 9.5% and 7.3% in 2005, 2006 and 2007, respectively.

A-Plant

A-Plant has seen significant benefits this year from the programme to refocus its business completed in January 2004. Although total turnover for the year rose only marginally to £156.3m from £155.9m in 2004, when 2003/4 non-core disposals are excluded, same store turnover grew by 5.2%. This growth was achieved despite a fleet size which was approximately 4.1% smaller than in the equivalent period last year. Increases in utilisation from 59.9% to 64.9% and growth in rental rates of approximately 2% increased A-Plant's efficiency. The growth in rental rates in the fourth quarter was approximately 7%.



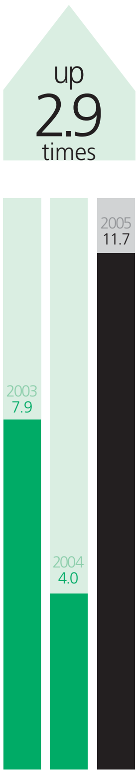
Turnover* $ million

Operating profit* $ million

* Before goodwill amortisation and, in 2003 and 2004, exceptional items.

Chief Executive's Review

Turnover
£ million



Operating profit*
£ million

* Before goodwill amortisation and, in 2003 and 2004, exceptional items.
**On a same store basis.

As a result of these improvements, A-Plant's fourth quarter divisional operating profit was £3.2m, more than double the £1.5m earned in 2004 and its full year profit virtually trebled to £11.7m (2004 – £4.0m), representing a margin of 7.5% (2004 – 2.6%). The initiative announced earlier this year to increase further returns through continuing investment in tool hire equipment is on track with eight additional locations already carrying the tool hire range. Over the course of the next 12 months the tool hire range will be introduced to a further 18 plant locations.

A-Plant's major account business continues to benefit from the breadth of its product offering and its geographic coverage. As a result its top 100 customers provided 35% of A-Plant's revenue in the year. New five-year contracts were agreed in the year with Balfour Beatty Utilities Limited, McNicholas plc and Skanska UK plc, with the latter being a two-year extension to an existing three-year agreement. Most recently we have been awarded a new five-year sole supply contract by Birse Group plc for all their plant and tool requirements. Together these new contracts are estimated to secure revenues of more than £50m over the next five years.

Ashtead Technology

For the year as a whole, turnover grew 9.7% to £12.4m (2004 – £11.3m) and divisional operating profit rose 25.9% to £3.4m (2004 – £2.7m). The first UK environmental rental store was opened in Hitchin at the beginning of the year and the US environmental rentals expansion continued with the opening of a new store in Atlanta last October. Both stores developed well in their first year. Ashtead Technology also substantially improved its performance in the fourth quarter with revenues up 45.8% from £2.4m to £3.5m in the quarter. The fourth quarter divisional operating profit increased from £0.5m to £1.3m continuing the early signs of recovery in its offshore markets seen in the third quarter.

Capital expenditure and net debt

Capital expenditure in the year was £157.8m. This included £32.3m resulting from our decision to reclassify certain leases (mainly relating to our delivery vehicle fleet) previously accounted for as operating leases as capital leases. Treating these leases as capital leases increased reported capital expenditure and finance lease debt by £32.3m. It also resulted in the reclassification of lease payments of £7.8m from EBITDA to depreciation (£6.7m) and interest (£1.4m), thus reducing pre-tax profits by £0.3m.

Excluding this lease effect, capital expenditure rose from £72.3m to £125.5m of which £120.0m was on the rental fleet. Capital expenditure was increased significantly in the year to enable Sunbelt to take advantage of the improving economic conditions in the US. £27.2m of the fleet expenditure was for growth with the remainder being spent to replace existing equipment. Expenditure on A-Plant's rental fleet was also increased from £29.8m to £35.4m as its performance improved. Disposals amounted to £37.6m (2004 – £32.6m) in the year, generating a profit on disposal of £7.1m (2004 – £5.2m) at a margin of 23.2% (2004 – 19.0%). The markets we use for disposing of used rental equipment continue to be healthy. In the coming year capital expenditure is expected to increase to approximately £160m.

Cash tax payments were again minimal and are expected to remain so.

On a like for like basis, underlying net debt at 30 April 2005 was £467.4m, a reduction of £59.3m from last year's £526.7m principally reflecting the pay down of debt from cash flow generated in the last twelve months of £53.6m (2004 – £53.6m). This underlying net debt figure ignores the non-cash impact of the lease capitalisation discussed above which increased reported year end net debt by £25.8m to £493.2m. £82.0m ($156.7m) was available under the new first priority senior debt facility based on the April 2005 borrowing base.

EBITDA for the year was £169.7m (2004 – £147.0m before exceptional items). Conversion of EBITDA into net cash inflow from operations was again high at 97.1% (2004 – 95.2% before exceptional items). As a result of both the growth in EBITDA and the net paydown of debt from cash flow in the year of £53.6m, the ratio of net debt to EBITDA improved from 3.6 times a year ago to 2.9 times at 30 April 2005.

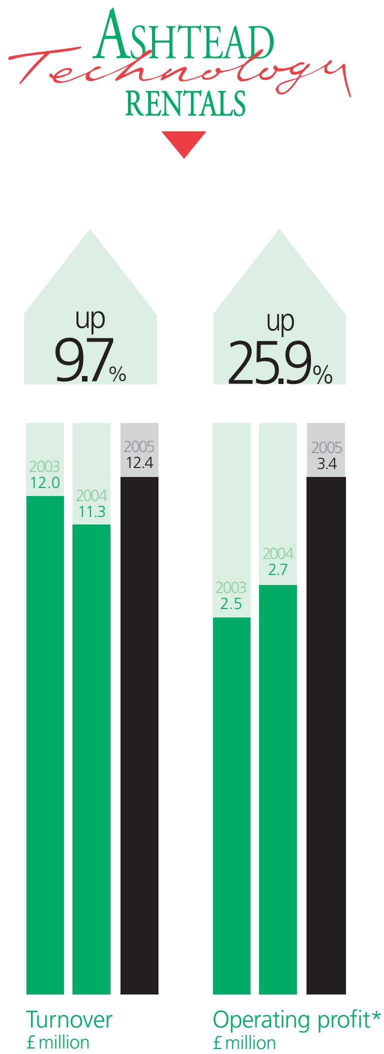
Current trading and outlook

Last year's momentum has continued into the current year. Group turnover for the two months ended 30 June 2005 was up 12.5% over the previous year. Sunbelt's revenues in dollars rose 17% in the same period.

The capital reorganisation announced today will provide, when finalised, a stable and appropriate long-term platform for the Group's future development. It will complete the renewal of all the Group's debt facilities and extend the average debt maturity to seven years. The Board also expects the reorganisation will enable it to propose to shareholders the resumption of dividends in respect of the year ending 30 April 2006.

In the US, the key private non-residential construction market is strong and is forecast to remain so. In addition, the shift from ownership to rental continues. The outlook for Sunbelt therefore remains encouraging. Overall, UK markets continue to be stable. A-Plant's focus remains on improving returns and growing market share. Technology should benefit from increased investment in oil exploration and production. Accordingly, the Board anticipates reporting further progress in the coming year.

George Burnett
Chief Executive
6 July 2005



* Before goodwill amortisation and, in 2003 and 2004, exceptional items.

Sunbelt

Sunbelt supports Florida hurricane cleanup effort

Four major hurricanes ravaged the state of Florida over a six-week period last autumn, wreaking havoc for millions of Americans and causing billions of dollars in damages. Power outages, blown rooftops, flooded and eroded streets, and extensive property damage from wind and water were rampant throughout the state. Sunbelt locations all across America rallied to the rescue, mobilising thousands of pieces of equipment to support hurricane relief efforts. The photo to the right shows a large desiccant dehumidifier and a diesel-driven generator in operation at a condominium complex in Punta Gorda, Florida that suffered severe water damage from Hurricane Charley. The equipment was delivered all the way from Sunbelt's Pump & Power location in Chicago, Illinois.

New Jersey shore pump bypass project

Sunbelt's exclusive Quiet Flow™ diesel-driven trash pumps are ideal for sewer bypass projects performed in residential and other noise-sensitive areas. They feature ultra-quiet operation and other environment-friendly attributes such as complete fluid containment. This setup allowed the contractor, Am-Liner East, to install a CIPP (cured-in-place pipe) inside the existing sewer line, a cost-effective alternative to replacing underground pipelines. This technology was first developed in the United Kingdom and has gained widespread acceptance in the US in recent years. "We can extend the life of an existing pipeline by relining for about half the cost of replacement", reports James Allen, project manager for the Brick Township Municipal Utilities Authority. "We first used Sunbelt's pumps about two years ago and were very impressed with their quiet and dependable operation. Now, I always recommend Sunbelt pumps" adds James.

Sunbelt green 'lights up' inauguration

Multiple Sunbelt locations and staff teamed up to provide equipment and support for numerous events throughout the week of the US presidential inauguration in Washington D.C. during January 2005. Careful planning and several 'long nights' helped Sunbelt personnel perform deliveries and pickups of equipment to 43 site locations including the US Capitol, Lafayette Park, and several sites along the parade route. Those watching television that week could pick out 'Sunbelt Green' equipment against the backdrop of some of the capital's most well-known buildings. Equipment rented from Sunbelt included heaters, generators, power distribution equipment, light towers, forklifts, variable message boards, and other traffic safety equipment.


SUNBELT

A-Plant

Major new product investment for A-Plant

In order to ensure that customers are able to hire state-of-the-art products from leading manufacturers, A-Plant invested £35.4m in new equipment in the year. The latest additions to the company's hire fleet extend from major investment in mini-excavators, rough terrain forklifts and telehandlers from JCB to a £2m investment in new accommodation units from Ultra.

A-Plant secures five year £20m+ contract

A-Plant has secured a major five-year sole supplier contract with Balfour Beatty Utilities Limited (BBUL), one of the UK's leading service providers of utility services to the water, wastewater, gas, civil engineering and multi-utility industries. As part of the new contract, A-Plant is providing the vast majority of BBUL's plant and tool hire requirements. The contract for non-operated rental equipment will be worth in excess of £20m over the five-year term. The agreement involves the hire of excavators, dumpers, skid steer loaders, water pumps, compaction equipment, generators, traffic management, accommodation units, tower lights, trenchless technology and other equipment.

One of the biggest networks for plant and tools

A-Plant now has one of the largest networks in the UK for plant and tools, with 202 locations offering both larger site equipment and smaller tools for hire, following a recent expansion of the company's tool hire network through its existing plant network. A-Plant has also established a dedicated salesforce, which will assist it to achieve its objectives of increasing market share, developing its customer base and enhancing customer service.

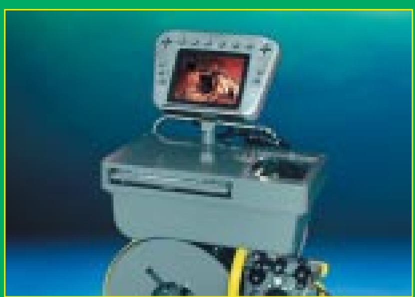
Ashtead Technology

Record orders placed as global offshore activity increases

Ashtead Technology has demonstrated confidence in an upturn in global offshore activity by placing orders worth £2.6m with Sonardyne International Ltd and VT TSS Ltd.

The orders include four TSS MAHRS (Meridian Attitude and Heading Reference System) units as well as Sonardyne Fusion wideband acoustic positioning systems.

The unprecedented size of the orders reflects Ashtead Technology's commitment to providing leading edge technology to its rental customers in the face of growing worldwide demand. This equipment order will add to the largest and most modern fleet of equipment of its kind and will be operated from the worldwide Ashtead Technology support bases.



High-tech cameras for industry

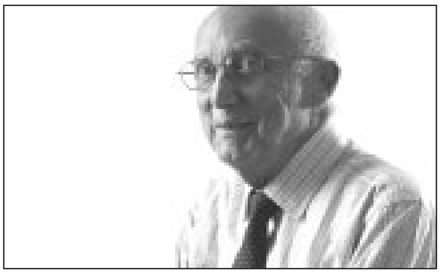
Ashtead Technology specialises in providing technologically advanced visual inspection systems for industry. An impressive range of fibrescopes, videoprobes and tractors give the ability to inspect diameters from a tiny 0.64mm right up to 3 metres.

Contaminated land assessment using on-site XRF analysis

Ashtead Technology now rents the innovative portable X-Ray fluorescence (XRF) analyser from Innov-X. This compact, handheld unit enables operators to quickly and easily identify a wide range of metallic elements in soil, solid and liquid samples. All results can be logged and easily transferred to a PC for subsequent analysis.


TSS MARINUS
Attitude Heading Reference System
Depth Rating: 3000m
S/N
a sensitive accelerometer assembly. Do not drop.

Directors



1. Cob Stenham
Chairman

2. George Burnett
Chief Executive

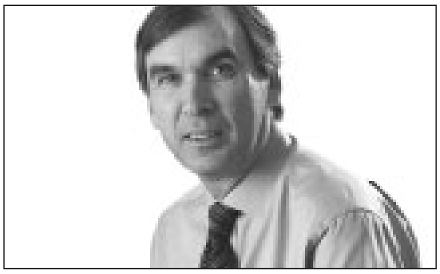
3. Ian Robson
Finance Director

4. Cliff Miller
President & Chief Executive Officer, Sunbelt

5. Sat Dhaiwal
Chief Executive Officer, A-Plant

6. Chris Cole
Senior Independent Non-executive Director

7. Geoff Drabble
Non-executive Director



8. Hugh Etheridge
Non-executive Director

9. Gary Iceton
Non-executive Director

10. Philip Lovegrove
Non-executive Director

1. Cob Stenham BA, FCA
Non-executive Chairman
Aged 73, Cob Stenham has been non-executive Chairman and Chairman of the Nomination Committee since January 2004 and a director since 27 October 2003. Mr Stenham is also Chairman of Telewest Global, Inc. and a non-executive director of 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 58, George Burnett has been Chief Executive since February 2000 and one of our directors since May 1984. Prior to February 2000, Mr Burnett was Managing Director for 16 years. Mr Burnett is also Chairman of Henderson Strata Investments plc and is Chair of the Governors of the Surrey Institute of Art and Design, University College. Overall, Mr Burnett has over 27 years experience in the equipment rental business. George Burnett is Chairman of the Finance and Administration Committee and a member of the Nomination Committee.

3. Ian Robson BSc, FCA
Finance Director
Aged 46, Ian Robson has been Finance Director and one of our directors since June 2000. Prior to June 2000, Mr Robson held a series of senior financial positions at Reuters Group plc for four years. Prior to joining Reuters Group plc, Mr Robson was 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 41, Cliff Miller was appointed President and Chief Executive Officer of Sunbelt and as one of our directors in July 2004. Cliff Miller has more than 20 years experience in the rental industry and joined the Group in 1996 with the acquisition of McLean Rentals. From that time until 2003 he was Vice President responsible for Sunbelt's North-Eastern division. Subsequently, he was one of two Executive Vice Presidents responsible for all of Sunbelt's front line operations.

5. Sat Dhaiwal
Chief Executive Officer, A-Plant
Aged 36, Sat Dhaiwal has been Chief Executive Officer of A-Plant and one of our directors since March 2002. Mr Dhaiwal was Managing Director of A-Plant East, one of A-Plant's four operational regions, from May 1998 to March 2002. He was an A-Plant trading director from 1995 until his appointment as Managing Director of A-Plant East and, prior to 1995, he managed one of A-Plant's profit centres. Mr Dhaiwal has some 20 years experience in the equipment rental industry.

6. Chris Cole C.Eng, FCIBSE
Senior Independent Non-executive Director
Aged 58, Chris Cole has been a director and a member of the Audit, Nomination and Remuneration Committees since January 2002. He was appointed Chairman of the Remuneration Committee in September 2003 and became the senior independent non-executive director from the same date. Mr Cole is Chief Executive Officer of WSP Group plc.

7. Geoff Drabble
Independent Non-executive Director
Aged 46, Geoffrey Drabble was appointed as a non-executive director and a member of the Nomination and Remuneration Committees in April 2005. He is currently an Executive Director of The Laird Group plc where he is responsible for its building products division. Prior to joining Laird Group, Mr Drabble held a number of senior management positions at Black & Decker.

8. Hugh Etheridge FCA, MCT
Independent Non-executive Director
Aged 55, Hugh Etheridge has been a director, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees since January 2004. Mr Etheridge is 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 was finance director of Waste Recycling Group plc and, prior to that, of Matthew Clark plc.

9. Gary Iceton
Independent Non-executive Director
Aged 55, Gary Iceton was appointed as a non-executive director and a member of the Audit and Nomination Committees effective from 1 September 2004. Until 2000 he was a director of St Ives plc and Chairman and Chief Executive of the Books Division. More recently, he was Chairman of Jarrold Limited and, prior to that, CEO of Amertrans.

10. Philip Lovegrove, OBE, LLM
Non-executive Director
Aged 67, Philip Lovegrove has been a director since 1984 and is a member of the Nomination Committee. Mr Lovegrove is also Chairman of VTR plc, Chairman of Stanelco plc and a director of Fiske plc. Mr Lovegrove will be standing down from the Board in the autumn.

Details of the directors' contracts, emoluments and share interests can be found in the Directors' Remuneration Report.

Senior Management and Advisers

Sunbelt
Cliff Miller
Doug Bertz
Russ Brown
Mark Ellis
Brendan Horgan
Kurt Kenkel
Charles Miller
Randy Nelson
Earl Rose
Greg Schamel
Brian Tate
Suzanne Wood

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

Ashtead Technology
Rob Phillips
Andrew Doggett
Iain Guthrie
Andrew Holroyd
Peter Simpson

Corporate
George Burnett
Ian Robson
Michael Pratt
Eric Watkins

Auditors
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Directors' Report

The directors present their report and the audited accounts for the financial year ended 30 April 2005.

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 profit before taxation for the year was £16.4m (2004 – loss of £33.1m). A review of the Group's performance is given in pages 34 to 48. The directors do not recommend the payment of a final dividend and recommend that the retained profit of £2.4m be transferred to reserves.

Share capital

So far as the Company is aware, the only holdings of 3% or more of the issued share capital of the Company as at 30 June 2005 (the latest practicable date before approval of the financial statements) are as follows:

	At 30 June %
Barclays Bank plc	11.4
The Goldman Sachs Group Inc	8.4
AEGON UK plc Group of Companies	8.0
JM Harvey	5.0
Aviva plc	4.2
GB Burnett	3.9
Legal & General	3.4
Investeringsselskabet Luxor A/S	3.1

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 26 to 33.

Share option schemes

At 30 April 2005 the following shares were subject to option:

Discretionary schemes	Number of shares	Option price per share
Exercisable between 27 September 1998 and 27 September 2005	808,732	72.535p
Exercisable between 27 February 2000 and 27 February 2007	224,500	134.665p
Exercisable between 27 February 2000 and 27 February 2007	787,200	132.250p
Exercisable between 3 February 2001 and 3 February 2008	155,800	191.200p
Exercisable between 5 February 2001 and 5 February 2008	1,363,500	184.200p
Exercisable between 24 February 2002 and 24 February 2009	250,500	177.830p
Exercisable between 26 February 2002 and 26 February 2009	694,850	172.500p
Exercisable between 22 February 2003 and 22 February 2010	651,500	102.000p
Exercisable between 8 March 2003 and 8 March 2010	207,500	101.840p
Exercisable between 8 August 2003 and 8 August 2010	710,500	102.500p
Exercisable between 16 August 2003 and 16 August 2010	29,500	101.670p
Exercisable between 9 February 2004 and 9 February 2011	2,071,110	125.000p
Exercisable between 26 February 2004 and 26 February 2011	311,000	124.500p
Exercisable between 26 February 2005 and 26 February 2012	3,168,500	41.500p
Exercisable between 2 August 2005 and 2 August 2012	375,000	49.500p
	11,809,692	

SAYE schemes	Number of shares	Option price per share
Exercisable between 1 April and 30 September 2005 (5 year contract)	42,317	81.340p
Exercisable between 1 April and 30 September 2006 (5 year contract)	17,800	94.800p
Exercisable between 1 April and 30 September 2005 (3 year contract)	35,619	41.600p
Exercisable between 1 April and 30 September 2007 (5 year contract)	87,517	41.600p
Exercisable between 1 May and 31 October 2006 (3 year contract)	1,340,232	24.270p
Exercisable between 1 May and 31 October 2008 (5 year contract)	899,610	24.270p
Exercisable between 1 October 2007 and 31 March 2008 (3 year contract)	1,820,412	30.740p
	4,243,507	

Directors' Report

Employees
The total number of employees worldwide of the Group at 30 April 2005 was 5,935.

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 the SAYE share option scheme. Details of options outstanding under this scheme and the discretionary share option scheme are set out above.

Directors and directors' insurance
Details of the directors of the Company are given on pages 16 and 17. 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 and further details are given in the Chief Executive's Review and on pages 6 to 9.

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 2005 was 74 days (30 April 2004 – 81 days) 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 £22,650 in total (2004 – £33,800). 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. Accordingly, 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 are designed to 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
Deloitte & Touche LLP has indicated its willingness to continue in office and in accordance with section 385 of the Companies Act 1985, a resolution concerning its re-appointment and authorising the directors to fix its remuneration will be proposed at the annual general meeting.

Annual general meeting
The annual general meeting will be held at 2.30pm on Tuesday 20 September 2005. Notice of the meeting is set out in the document accompanying this report and accounts. In addition to the adoption of the 2004/5 report and accounts, resolutions dealing with the appointment and re-election of directors and the resolution dealing with the approval of the Directors' Remuneration Report, there are five other matters which will be considered at the annual general meeting. These relate to the reappointment of Deloitte & Touche LLP as auditors, the ability for the directors to unconditionally allot shares up to approximately one third of the Company's share capital, the disapplication of pre-exemption rights in relation to the previous resolution, empowering the Company to buy back up to 5% of its issued share capital and an amendment to directors' indemnity insurance arrangements.

By order of the Board

Eric Watkins
Legal Counsel & Company Secretary
6 July 2005

Corporate Governance Report

The revised Combined Code on corporate governance was published in July 2003 by the Financial Reporting Council ('the 2003 FRC Code') following a review of the role and effectiveness of non-executive directors by Derek Higgs and a review of audit committees by a group led by Sir Robert Smith.

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 Company has applied the relevant principles of the 2003 FRC Code.

The Company complied throughout the year with the provisions of the 2003 FRC Code on corporate governance except that the performance of the chairman was not appraised during the year and the roles of the chairman and chief executive were only formalised in writing at the end of the year.

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 four other non-executive directors. Short biographies of the directors are given on pages 16 and 17.

The chairman undertakes leadership of the Board by agreeing Board agendas and encourages its effectiveness by the provision of timely, accurate and clear information on all aspects of the Group's business to enable the Board to take sound decisions and promote the success of the business. The chairman together with the assistance of other directors reviews the effectiveness of each member of the Board no less than annually and he facilitates constructive relationships between the executive and non-executive directors through both formal and informal meetings.

The chairman ensures that all directors are properly briefed to enable them to discharge their duties effectively. All newly appointed directors undertake an induction to all parts of the Group's business. Additionally, detailed management accounts are sent monthly to all Board members and, in advance of all Board meetings, an agenda and appropriate documentation in respect of each item to be discussed is circulated.

The chairman facilitates effective communication with shareholders through both the annual general meeting and by individual meetings with major shareholders to develop an understanding of the views of the investors in the business. He also ensures that shareholders have access to other directors, including non-executive directors, as appropriate.

The chief executive's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed.

The chief executive undertakes the leadership and responsibility for the direction and management of the day-to-day business and conduct of the Group. In doing so, the chief executive's role includes, but is not restricted to, implementing Board decisions, delegating responsibility, and reporting to the Board regarding the conduct, activities and performance of the Group. The chief executive chairs the formal management meetings with the operating divisions of the Group's business and sets policies and direction to maximise returns to shareholders.

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 assessed critically to ensure 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 and removal of directors or the company secretary, appointment and removal of the auditors and approval of the annual accounts.

Regular reports and briefings are provided to the Board, by the executive directors and the company secretary, to ensure the directors are suitably briefed to fulfil their roles. 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 are able to seek independent advice at the Company's expense.

The Board's terms of reference are available for inspection at the annual general meeting.

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 provision of the Companies Act relating to the removal of a director.

In accordance with the Company's articles of association, Mr Stenham, Mr Cole, and Mr Lovegrove will offer themselves for retirement and re-election to the Board at the next annual general meeting. As this is the first annual general meeting since his appointment by the Board during the year, Mr Drabble will offer himself for election.

Non-executive directors

The Board considers that the Company is in compliance with the independence provisions of the 2003 FRC Code.

In the recruitment of non-executive directors, it is the Group's usual practice to utilise the services of an external search

Corporate Governance Report

consultancy and this was the case with the selection of Mr Drabble who was engaged following a comprehensive search for an individual with recent relevant experience of managing businesses in the US. However, an external search consultancy was not used in the recruitment of Mr Iceton who was instead proposed to the Board by the chairman who had previously worked with him on another board. Having been interviewed by the Nomination Committee and by the finance director, the Board considered that Mr Iceton had relevant and in-depth knowledge and experience of businesses of a similar size to the Company's and that his sales and marketing background would complement the skill set of the then existing Board. After due consideration the Board concluded that no advantage would be gained from utilising the services of an external agency in searching for other candidates with this experience and instead determined to appoint Mr Iceton to the Board.

Before appointment, non-executive directors are required to assure the Board that they can give the time commitment necessary to fulfil properly their duties, both in terms of availability to attend meetings and discuss matters on the telephone and meeting preparation time. The non-executives' letters of appointment are available for inspection at the annual general meeting.

The non-executive directors (including the chairman) regularly meet in the absence of the executive directors ordinarily at the end of Board meetings to discuss and appraise the performance of the Board as a whole and the performance of the individual executive directors.

It is the policy of the Board that, led by the senior independent non-executive director, the non-executives (in the absence of the chairman) will normally meet at least once a year to discuss and appraise the performance of the chairman. No such meeting was held in the last twelve months as the chairman was only appointed on 1 January 2004 but it is intended that the senior independent Non-executive Director, Mr Cole, will arrange this meeting in the coming year.

Performance evaluation

The performance of the chairman, the chief executive, the Board and its committees is evaluated, amongst other things, against their respective role profiles and terms of reference. This evaluation was conducted by the Board as a whole in the context of a paper submitted by the company secretary summarising the key highlights of the year. The executive directors are additionally evaluated against the agreed budget for the generation of revenue, profit and value to shareholders.

Board committees

Audit Committee

The Audit Committee comprised throughout the year Mr Etheridge (Chairman) and Mr Cole and Mr Iceton since 1 September 2004. In accordance with the recommendation of the Smith Committee, our Non-executive Chairman, Mr Stenham, is not a member of the Audit Committee, but attends meetings when requested. By invitation, our Finance Director, Mr Robson, our director of financial reporting, Mr Pratt and other directors normally attend parts of the Committee's meetings, as do representatives of our internal and external auditors.

As is required by its terms of reference, the Audit Committee meets on at least four occasions each 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 the Group's internal controls and financial reporting policies and is responsible for dealing with any matter brought to its attention by the 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.

Following the appointment of Deloitte & Touche LLP as external auditors in 2004, the Audit Committee reconsidered whether it was appropriate for the Group to continue to outsource its internal audit function and the position of Deloitte & Touche LLP as internal auditors. The Audit Committee concluded that it was appropriate for the Group to continue to outsource the internal audit function but that for reasons of independence, Deloitte & Touche LLP should not continue in that role. Accordingly, following a detailed evaluation process and at the recommendation of the Audit Committee, KPMG has been appointed as internal auditors to the Group.

The Audit Committee has reviewed the level of non-audit fees paid to Deloitte & Touche LLP in the year. The principal non-audit fees relate to their internal audit work, to reviews of the Group's quarterly results announcements and to their work on the Group's IFRS implementation project. Accordingly, the Audit Committee is satisfied that the level of non-audit fees did not impair their independence.

The Audit Committee's terms of reference are available for inspection at the annual general meeting.

Remuneration Committee

The Remuneration Committee comprised throughout the year Mr Cole (Chairman) and Mr Etheridge. Mr Drabble was appointed as a member of the Committee on 20 April 2005.

The Remuneration Committee meets as and when required but in any event holds a series of meetings during the 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 normally attend the meetings of the Committee to assist it in its work. The Committee also engages periodically remuneration consultants to advise it in its work and utilised the services of New Bridge Street Consultants during the year for this purpose.

None of the members of the Remuneration Committee is currently or has been at any time one of the Company's executive directors or an employee. None of the executive directors currently serves, or 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 the Company's Board or Remuneration Committee.

The Remuneration Committee's terms of reference are available for inspection at the annual general meeting.

Nomination Committee

The Nomination Committee comprised throughout the year Mr Stenham (Chairman), Mr Burnett, Mr Cole, Mr Etheridge and Mr Lovegrove. Mr Iceton and Mr Drabble were appointed to the Committee on 1 September 2004 and 20 April 2005 respectively. The Nomination Committee meets as and when required, but no less than once a year, to review the composition of, and to recommend proposed changes to, the structure and composition of the Board of directors.

The Nomination Committee's terms of reference are available for inspection at the annual general meeting.

Schedule of meetings held in 2004/5 (1 May 2004 – 30 April 2005)

	Board	Audit	Remuneration	Nomination
Number of meetings held	8	5	3	1
Mr Stenham	8	n/a	n/a	1
Mr Burnett	8	n/a	n/a	1
Mr Robson	8	n/a	n/a	n/a
Mr Dhaiwal	8	n/a	n/a	n/a
Mr Miller*	7	n/a	n/a	n/a
Mr Cole	8	5	3	1
Mr Etheridge	8	5	3	1
Mr Lovegrove	8	n/a	n/a	1
Mr Iceton**	7	4	n/a	1
Mr Drabble***	1	n/a	1	n/a

* Mr Miller was appointed on 6 July 2004
** Mr Iceton was appointed on 1 September 2004
*** Mr Drabble was appointed on 20 April 2005

It is the Board's usual practice to meet at least annually at the offices of Sunbelt and A-Plant.

Finance and Administration Committee

The Finance and Administration Committee comprised Mr Stenham, Mr Burnett and Mr Robson throughout the year and is chaired by Mr Burnett. 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.

Corporate Governance Report

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 Group reviews the risks it faces in its business and how these risks are managed. These reviews are conducted in conjunction with the management teams of each of the Group's businesses and are documented in an annual report. The reviews consider whether any matters have arisen since the last report was prepared which might indicate omissions or inadequacies in that assessment. They also consider whether, as a result of changes in either the internal or external environment, any new significant risks have arisen. The executive directors reviewed the draft report for 2005, which was then presented to, discussed by and approved by the Audit Committee on 16 May 2005 and the Group Board on 28 June 2005.

Before producing the statement on internal control for the annual report and accounts for the year ended 30 April 2005, the Board reconsidered the operational effectiveness of the Group's internal control systems. In particular, it received reports from the operational audit teams and considered the status of implementation of internal control improvement recommendations made by the Group's internal auditors during the year ended 30 April 2005 and our external auditors following their 2004 audit. The control system includes written policies and control procedures, clearly drawn lines of accountability and delegation of authority and comprehensive reporting and analysis against budgets and latest forecasts.

In a group of the size, complexity and geographical diversity of Ashtead, 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 monthly 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 operational auditors and external auditors;
- detailed internal audits at the Group's major accounting centres undertaken by internal audit specialists from a major international accounting firm; and
- comprehensive audits of all profit centres generally carried out on average at least once per year by internal operational audit. A summary of this work is provided annually to the Committee.

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;
- 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 UK 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 44 to 46 of the Operating and Financial Review.

By order of the Board

Eric Watkins
Legal Counsel & Company Secretary
6 July 2005

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 (Chairman), Mr Etheridge and Mr Drabble (appointed 20 April 2005). 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. Under Mr Cole's direction, the company secretary and Mr Burnett have responsibility for ensuring the Committee has the information relevant to its deliberations. 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 its successor the Performance Share Plan approved by shareholders on 20 September 2004; 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 international scope, complexity and speed of change of the Group's business and, particularly, its significant operations in the US where the Company has a number of successful, publicly quoted, competitors who compete with us for top management talent.

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 related incentives. Mr Burnett, with the approval of the Board, holds two non-executive appointments outside the Group: he is Chairman of Henderson Strata Investments plc and is also Chair of the Governors of the Surrey Institute of Art and Design, University College. The latter position is unpaid and Mr Burnett is allowed to retain the fees arising from Henderson Strata Investments plc amounting to £12,500 in the past year. None of the other executive directors holds any outside appointments. In the past year the Company obtained advice in regard to executive directors' salary and incentive rewards from New Bridge Street Consultants.

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.

Effective 1 May 2004, Mr Burnett's salary increased by 17.5% to £340,725. The increase awarded to Mr Burnett, reflected the fact that he had voluntarily accepted a reduction in his salary for the year ended 30 April 2003 from £428,000 to £290,000 and the Company's improved performance. Effective from the same date Mr Robson's salary increased by 3.5% to £207,000 while Mr Dhaiwal's salary remained unchanged. Mr Miller was appointed a director on 6 July 2004 on an annual salary of $350,000.

Annual performance related bonus plans

Under the annual performance related bonus plans for executive directors, payments for 2004/5 were related directly to financial performance targets and were subject to a cap at two-thirds of a UK based executive director's salary and 100% of a US based executive director's salary.

The Committee establishes the objectives that must be met for each financial year if a cash bonus for that year is to be paid. In setting bonus parameters the Committee sets targets that ensure that such awards are tied to appropriate financial performance measures.

For the year ended 30 April 2005 the bonus objectives were linked to substantially exceeding the financial budgets for that year. These targets were fully attained and accordingly the executive directors will be paid their bonuses in full in July 2005.

Share related incentives

Details of the Company's existing arrangements are set out below.

Share option schemes

It was the Committee's policy to make regular awards to senior staff in order that their personal interests were aligned with those of shareholders. The value of the shares underlying the options awarded was 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. There will be no future share option awards, these arrangements having now been replaced by the Performance Share Plan described below.

Investment Incentive Plan

The Investment Incentive Plan is a long-term incentive plan which provides for senior management, 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 Company does not intend currently to make any further awards under this plan.

The matching awards are made in respect of investment shares acquired by the senior management 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 periods from 8 October 2001 (when the Company's share price at close was 72p) to October 2004 for the awards granted in 2001/2, and 29 July 2002 (when the share price was 49.5p) to 28 July 2005 for the award granted in 2002/3 and from 19 August 2004 (when the share price was 48.5p) to 18 August 2007 for the awards granted in 2004/5. The comparator group comprises all of the FTSE 250 mid-cap stocks other than investment trusts.

The above performance conditions were chosen because they were 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. At the time the awards were made, the FTSE 250 was 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.	1.0 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.	0.5 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. In connection with the operation of the plan, the Company established an Employee Share Ownership Trust which held 2,723,461 shares as at 30 April 2005.

The minimum EPS for the 2001/2 awards was not achieved and accordingly these awards lapsed in 2004. Based on the results for the year ended 30 April 2005, average EPS growth in the three year period to 30 April 2005 was 8.4% above RPI meaning that actual performance has exceeded the upper level target. Accordingly the 2002/3 awards will now vest on 28 July 2005, being the third anniversary of the date of grant, with the final vesting being dependent on the final TSR for the three year period ended on that date.

Directors' Remuneration Report

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.

Performance Share Plan

The Performance Share Plan is a long-term incentive plan under which executive directors and other senior management may annually receive a conditional right to acquire shares ('performance shares'), the vesting of which depends on the satisfaction of demanding performance conditions.

The maximum award of performance shares that may be made in any financial year of the Company is limited under the rules of the Plan, to shares with a market value equal to 100% of the participant's base salary at the time the award is made. However, the initial awards under the plan granted in October 2004, did not exceed 50% of any participant's salary.

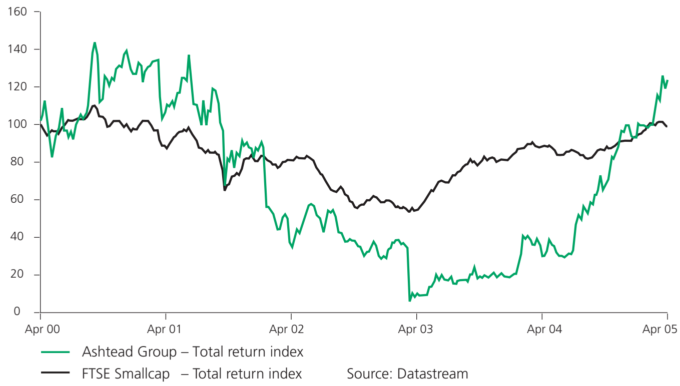
The extent to which the initial awards vest depends as to 50% of the award on the EPS in the three year period ended 30 April 2007 and the other 50% on the Company's TSR performance over the three year period ending 5 October 2007 against that of the constituents of the FTSE Smallcap Index (excluding investment trusts) over the same period.

The proportion of the award relating to EPS growth is exercisable in full if EPS for the year ended 30 April 2007 is 8p per share or greater and will lapse if EPS is below 5p. Awards are scaled for performance between these points. EPS for this purpose is calculated on the Group's profit before exceptional items, goodwill amortisation and tax less a standard 30% tax charge. Additionally, appropriate adjustments are to be made to the 5p and 8p targets by the Committee to reflect the impact of applying International Financial Reporting Standards.

The proportion of the award linked to TSR will vest in full if the Company's TSR growth for the three year period ended 5 October 2007 ranks in the top 25% of the companies (excluding investment trusts) included in the FTSE Smallcap Index as at 6 October 2004. The TSR portion of the award will lapse if the Company's relative TSR growth is ranked at or below 50% for this period and it will be scaled on a pro rata basis if actual TSR growth is between these points.

Relative performance

The following graph compares total shareholder return performance of the Company with the FTSE Smallcap Index (excluding investment trusts) over the five years ended 30 April 2005. This index was selected, as it is the measure used for performance comparison under the Company's Performance Share Plan.



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 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 any time after age 50 if there is a change of control). Mr Robson pays contributions equal to 7.5% (5% up to 31 December 2004) 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.

Mr Miller is a member of the US defined contribution plan.

Executive directors' service agreements
Mr Burnett's service agreement dated 18 September 2003 provides for termination by either party by the giving of 12 months' notice. His contract further provides that Mr Burnett is required to give the Company only six months' notice if he wishes to retire on or after attaining the age of 60.

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 chairman and chief executive within limits set out in the Articles of Association. The chairman has a service contract (dated 22 October 2003) 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 allowances (ii) £000	Compensation for loss of office £000	**Total emoluments 2005 £000**	Total emoluments 2004 £000
Executive:								
G B Burnett	341	–	227	1	15	–	**584**	344
S S Dhaiwal	150	–	100	1	13	–	**264**	177
C Miller	158	–	156	5	15	–	**334**	–
S I Robson	207	–	138	–	11	–	**356**	284
Non-executive:								
A W P Stenham	–	130	–	–	15	–	**145**	53
C Cole	–	30	–	–	–	–	**30**	28
G Drabble	–	1	–	–	–	–	**1**	–
H C Etheridge	–	30	–	–	–	–	**30**	20
G I Iceton	–	16	–	–	–	–	**16**	–
P A Lovegrove	–	25	–	–	–	–	**25**	29
Former directors:								
J B Dressel	–	–	–	–	–	215	**215**	235
H E Staunton	–	–	–	–	–	–	**–**	102
A E Wheatley	–	–	–	–	–	–	**–**	28
	856	232	621	7	69	215	**2,000**	1,300

(i) Benefits in kind comprise private medical insurance and subscriptions.
(ii) Other allowances include car allowances, a contribution to the chairman's office costs and reimbursement of travel and accommodation costs for Mr Miller who continues to reside in Virginia but is based at Sunbelt's head office in Charlotte.

As set out in last year's remuneration report, the compensation for loss of office paid to Mr Dressel was under the terms of his contract with Sunbelt whereby he was entitled, subject to certain conditions including an obligation not to compete with Sunbelt or to solicit any of its employees for a minimum of two years, to continue to receive his annual salary of $400,000 for a matching two year period which expires on 28 July 2005. These salary payments have been provided in full in the financial statements.

Directors' pension benefits

	Age at 30 April 2005 Years	Accrued pensionable service at 30 April 2005 Years	Contributions paid by the director £000	Accrued annual pension at 30 April 2005 £000	Increase in annual pension during the year: Excluding inflation £000	Increase in annual pension during the year: Total increase £000	Transfer value of accrued pension at 30 April 2005 £000	Transfer value of accrued pension at 30 April 2004 £000	Increase in transfer value over the year £000
G B Burnett	58	21	–	276	5	13	8,749	7,271	1,478
S S Dhaiwal	36	11	9	28	5	6	114	62	43
S I Robson	46	5	12	32	5	6	336	193	131

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.

Mr Burnett's pension entitlement provides for an annual pension of £275,000 if he had retired on 5 April 2005. His pension is increased by £1,100 for each month his retirement date is later than 5 April 2005.

Mr Miller is a member of the US defined contribution pension plan to which the Group has contributed £3,100 since his appointment as a director.

Directors' interests in shares

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

	30 April 2005 Number of ordinary shares of 10p each		30 April 2004 Number of ordinary shares of 10p each	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
G B Burnett	**12,841,472**	**1,056,192**	12,805,761	1,056,192
C Cole	**20,000**	**–**	20,000	–
S S Dhaiwal	**48,307**	**–**	13,000	–
H C Etheridge	**–**	**–**	–	–
P A Lovegrove	**382,500**	**–**	382,500	–
S I Robson	**235,457**	**–**	164,644	–
A W P Stenham	**200,000**	**–**	200,000	–
G Iceton	**20,000**	**–**	n/a	n/a
G Drabble	**10,000**	**–**	n/a	n/a
C Miller	**33,000**	**–**	n/a	n/a

Investment Incentive Plan

The maximum number of shares that may vest under issued matching awards (being three times the number of investment shares purchased by the director) is shown below:

		At 30 April 2004	Lapsed	At 30 April Granted	**2005**
G B Burnett	– award granted in 2001/2	1,422,006	(1,422,006)	–	**–**
	– award granted in 2004/5	–	–	178,554	**178,554**
S I Robson	– award granted in 2001/2	474,107	(474,107)	–	**–**
	– award granted in 2002/3	176,469	–	–	**176,469**
	– award granted in 2004/5	–	–	204,066	**204,066**
S S Dhaiwal	– award granted in 2004/5	–	–	51,015	**51,015**

Performance Share Plan

The awards made under the Performance Share Plan during the current financial year are as follows:

	Awarded on 6 October 2004 and held as at 30 April 2005
G B Burnett	304,219
S I Robson	184,821
S S Dhaiwal	133,929
C Miller	175,394

Directors' Remuneration Report

Directors' interests in share options

	Options at 1 May 2004 or on appointment	Granted/ (lapsed) during year	Options at 30 April 2005 or on cessation	Exercise price	Earliest normal exercise date	Expiry
Discretionary schemes						
G B Burnett	491,400	(491,400)	–	61.440p	–	–
	487,494	–	487,494	72.535p	Sep 1998	Sep 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
S S 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
C Miller	30,000	–	30,000	132.250p	Feb 2000	Feb 2007
	24,000	–	24,000	184.200p	Feb 2001	Feb 2008
	13,350	–	13,350	172.500p	Feb 2002	Feb 2009
	50,000	–	50,000	102.000p	Feb 2003	Feb 2010
	35,000	–	35,000	102.500p	Aug 2003	Aug 2010
	50,000	–	50,000	125.000p	Feb 2004	Feb 2011
	100,000	–	100,000	41.500p	Feb 2005	Feb 2012
S I 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
SAYE scheme						
G B Burnett	24,029	–	24,029	24.270p	May 2006	Oct 2006
	–	10,792	10,792	30.74p	Oct 2007	Mar 2008
S S Dhaiwal	24,029	–	24,029	24.270p	May 2006	Oct 2006
	–	10,792	10,792	30.74p	Oct 2007	Mar 2008
S I Robson	40,049	–	40,049	24.270p	May 2008	Oct 2008
	–	10,792	10,792	30.74p	Oct 2007	Mar 2008

During the year options over 491,400 shares held by Mr Burnett and originally awarded to him in August 1994 under the then executive option plan at the exercise price of 61.44p per share lapsed.

The above discretionary options, granted three years prior to the earliest exercise date, are exercisable subject to the following performance criteria:

(i) As was usual at that time, options granted in 1995, 1997 and 1998 were not subject to any performance criteria.

(ii) In line with recommendations extant at the time from Institutional shareholder representative bodies, options granted in 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.

(iii) Options granted in 2002 and subsequently 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 86.75p and the highest and lowest prices during the financial year were 106.00p and 24.00p 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
6 July 2005

Operating and Financial Review

Introduction

This Operating and Financial Review has been prepared reflecting the guidance for such statements issued by the Accounting Standards Board in January 2003. 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 operations subject us.

Business overview

The Group is one of the largest equipment rental groups in the world with a network of 414 profit centres in the US, the UK, Singapore and Canada at 30 April 2005. Equipment rental companies provide customers with a comprehensive line of equipment, including larger equipment such as aerial work platforms, backhoes, excavators and forklifts, as well as smaller equipment such as power tools 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 2005 had turnover of £523.7m.

In 2005, approximately 68% of the Group's turnover was generated in the US by Sunbelt, which operates 202 profit centres in 26 states and the District of Columbia, and approximately 30% of our turnover was generated by A-Plant, which operates 202 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 2005 and operates 10 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 a number of major cities including Washington D.C., Baltimore, Charlotte, Atlanta, Jacksonville, Orlando and Seattle. 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 service fully 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 more mature than the US market and the UK market is highly competitive. In the UK we face competition from large national operations, as well as smaller, local and regional operations. In both markets, we believe that the top 10 equipment rental companies accounted for approximately 30% of the total market in 2004.

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 have a wide range of equipment needs.

Suppliers
Like almost all other large participants in the industry, the Group purchases large amounts of equipment, parts and other items from its suppliers. The Group's capital expenditure on rental equipment for 2004/5 was £120.0m. The Group believes that this level of capital expenditure enables it to negotiate favourable pricing, warranty and other terms with its suppliers which provide it with a competitive advantage over smaller competitors.

Across our rental fleet, 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 are also able to share spare parts between profit centres which helps to minimise the risk of over stocking. 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 has their own 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 also have dedicated large account sales teams who are focused on building and reinforcing relationships with our larger customers, particularly those with a national or multi-regional presence.

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. All three of our businesses invest significantly in maintaining up-to-date website presences.

Employees
The Group's worldwide workforce consisted of 5,935 employees (full- and part-time) at 30 April 2005, of which 3,908 were located in the US, 2,016 were located in the UK, and the remainder 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 some 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. The results of such proceedings cannot be predicted with certainty, and except as set forth below, we do not believe any of these matters are material to our financial condition or results of operations.

In July 2000, Sunbelt brought a lawsuit in the North Carolina State Court against Head & Engquist Equipment L.L.C. (trading as 'H&E Hi-Lift') and certain former officers and employees of BPS Plant Services, a company acquired by Sunbelt in connection with its acquisition of BET US, Inc. In the lawsuit, Sunbelt alleged claims of breach of fiduciary duty, tortious interference with prospective relations, misappropriation and threatened misappropriation of trade secrets, unfair trade practices and conspiracy against the defendants arising out of their actions in forming H&E Hi-Lift and competing unfairly with Sunbelt. The claim was subsequently transferred to the North Carolina Business Court. H&E Hi-Lift filed an amended answer and counterclaim on 13 October 2001, asserting claims against both Sunbelt and the Company. The defendant's counterclaim alleged that the claim brought by Sunbelt was a 'sham' and had been commenced solely for the purpose of interfering with the defendant's business relations, in violation of North Carolina law. After filing a motion to dismiss, Sunbelt replied to the counterclaim denying the allegations. A trial was held between July and September 2002.

The events which are subject to the litigation date back to December 1999 prior to the acquisition of BET US by the Company. At that time 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 orders and opinions dated 2 May 2003 and 31 July 2003, the Court decided the case in favour of Sunbelt, dismissed the defendants' counterclaims and ordered the defendants to pay Sunbelt's legal fees in the amount of $1.2m. On or about 13 August 2003, the Court entered judgment against the defendants and in favour of Sunbelt in the amount of $16.2m (which amount includes trebled damages of $5m and the award

Operating and Financial Review

of legal fees), plus pre- and post-judgment interest. The defendants filed a notice of appeal in respect of the judgment on 11 September 2003. The defendants also posted a letter of credit in the amount of approximately $19m to secure the judgment in order to stay execution of the judgment pending the appeal, and H&E Hi-Lift has reported that it has recorded a $17m provision against the litigation and related costs. The appeal was heard by the North Carolina Court of Appeals on 3 March 2005, and its ruling is expected to be issued during the summer of 2005.

We have expensed all costs related to this litigation since the commencement of the action in July 2000.

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 it to maximise returns on investment, generate free cash flow and to deleverage over the economic cycle.

Top-quality customer service is the cornerstone of the Group's business strategy. We seek to differentiate ourselves from our 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.

The Group focuses almost entirely on the equipment rental business. During 2005 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, 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.

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, a substantial portion of our assets, liabilities, turnover and costs are denominated in US dollars. We have arranged our financing such that approximately 40% of our debt 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 which are stated after deduction of our dollar-denominated interest expense.

In the year ended 30 April 2005, the depreciation of the US dollar against the pound decreased our total turnover by approximately 6% and our pre-tax profits by approximately 12%, in each case compared to the year ended 30 April 2004.

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 average exchange rate applied in the financial statements for the year ended 30 April 2005. 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.
- Turnover from sales of new merchandise, including sales of parts and revenues from a limited number of sales of new equipment.

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, profit share and bonuses, social security costs, and other pension costs and comprised 37% of our total operating costs in the year ended 30 April 2005. Profit share and bonuses earned in the year were £11.4m (2004 – £7.6m).
- Depreciation and goodwill amortisation – the depreciation of our tangible fixed assets, including rental equipment, as well as the amortisation of capitalised acquisition goodwill comprised 24% of total costs in the year ended 30 April 2005.
- Other costs (net) – comprised 39% of total costs in the year ended 30 April 2005. 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 sales force, profit centre managers and other management staff.
  - 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.
  - Other costs are net of profits on disposal of fixed assets.

Our costs are significantly fixed in the short- to medium-term, and material adjustments in the size of our cost base typically result only from openings or closures of one or more of our profit centres. 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’.

Operating and Financial Review

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 alter materially 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. For a summary of these and our other significant accounting policies, see note 1 to our audited consolidated financial statements.

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 three to 20 years for serialised equipment, with a weighted average life of eight years), after giving effect to an estimated salvage value ranging from zero to 20% (used only for steel accommodation units) of cost. We give effect to an estimated salvage 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 salvage 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 be required 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 2005 was £102.4m.

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 2005 was £8.9m.

Self-insurance

We establish provisions at the end of each financial year to cover our estimated liability in respect of the uninsured excesses 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 2005, the total provision for self-insurance recorded in our consolidated balance sheet was £12.5m.

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 2005 the total pension cost was £3.5m of which £1.5m was in respect of defined contribution plans.

Revenue recognition

Turnover is recognised when the risks and rewards of the underlying goods supplied and services provided have been substantially 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 2005) is recognised once the merchandise or equipment has been delivered to the customer.

IFRS

Looking forward, the Group's accounts must comply with International Financial Reporting Standards (IFRS) for the year ending 30 April 2006. The Group has reviewed the extent to which the differences between UK GAAP and IFRS will impact its accounts. While this indicates that the impact of differences between 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. A discussion of the expected impact of the differences between UK GAAP and IFRS is given on pages 47 to 48.

Full year 2005 results compared with prior year

	2005			2004		
	Before goodwill amortisation £m	**Goodwill amortisation £m**	**Total £m**	Before goodwill amortisation and exceptional items £m	Goodwill amortisation and exceptional items £m	Total £m
Turnover	**523.7**	**–**	**523.7**	500.3	(3.3)	497.0
Staff costs	**(172.7)**	**–**	**(172.7)**	(170.5)	(0.5)	(171.0)
Other operating costs (net)	**(181.3)**	**–**	**(181.3)**	(182.8)	(12.7)	(195.5)
EBITDA*	**169.7**	**–**	**169.7**	147.0	(16.5)	130.5
Depreciation and amortisation	**(102.4)**	**(8.9)**	**(111.3)**	(102.8)	(11.5)	(114.3)
Operating profit	**67.3**	**(8.9)**	**58.4**	44.2	(28.0)	16.2
Loss on sale of business	**–**	**–**	**–**	–	(3.8)	(3.8)
Interest payable	**(42.0)**	**–**	**(42.0)**	(36.6)	(8.9)	(45.5)
Profit/(loss) before taxation	**25.3**	**(8.9)**	**16.4**	7.6	(40.7)	(33.1)
Taxation	**(14.0)**	**–**	**(14.0)**	(10.2)	8.5	(1.7)
Profit/(loss) for the period	**11.3**	**(8.9)**	**2.4**	(2.6)	(32.2)	(34.8)

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

Turnover before exceptional items in the full year increased 10.4% at constant 2005 exchange rates to £523.7m but by only 4.7% at actual rates due to the weak US dollar. EBITDA before exceptional items grew by 22.0% at constant exchange rates to £169.7m and by 15.4% at actual rates. Broadly one-third of the growth in EBITDA (£7.8m) resulted from the lease capitalisation impact outlined above. Total EBITDA increased 30.0% at actual rates to £169.7m.

Operating profit grew to £58.4m from £16.2m. Before goodwill amortisation and exceptional items, operating profit increased 64.0% to £67.3m at constant exchange rates and by 52.3% at actual rates.

Divisional performance

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

	Turnover		EBITDA		Divisional operating profit	
	2005	2004	**2005**	2004	**2005**	2004
Sunbelt Rentals in $m	**661.1**	572.8	**224.3**	176.8	**108.2**	73.3
Sunbelt Rentals in £m	**355.0**	333.1	**120.5**	102.8	**58.1**	42.4
A-Plant	**156.3**	155.9	**48.6**	43.2	**11.7**	4.0
Ashtead Technology	**12.4**	11.3	**6.5**	5.7	**3.4**	2.7
Group central costs	**–**	–	**(5.9)**	(4.7)	**(5.9)**	(4.9)
	523.7	500.3	**169.7**	147.0	**67.3**	44.2

Sunbelt

Turnover increased 15.4% in the year to $661.1m. This performance was due to improved rental rates which grew approximately 8%, an increase in average utilisation from 65.1% to 69.0% as well as a modest return to growth in its average fleet size, arising almost entirely from fourth quarter capital expenditure. Turnover growth was broadly based with all regions and all major product areas trading ahead of last year. Operating costs (excluding depreciation and goodwill amortisation) rose 10.3% in the period to $436.8m in 2005. This reflected increased personnel costs and higher maintenance costs to service current activity levels as well as growth in fuel and insurance costs.

Reflecting these developments, Sunbelt's EBITDA for the year grew 26.9% to $224.3m and its EBITDA margin improved to 33.9% from 30.9% in 2004. Divisional operating profit grew 47.6% to $108.2m representing a margin of 16.4% (2004 – 12.8%). Sunbelt's results in sterling reflected the factors discussed above and the weak US dollar.

Operating and Financial Review

A-Plant
A-Plant has seen significant benefits this year from the programme to refocus its business carried out in 2003 and 2004. Although total turnover for the year rose only marginally to £156.3m from £155.9m in 2004, when the 2003/4 non-core disposals are excluded, same store turnover grew by 5.2%. This reflected a fleet size which was approximately 4.1% smaller than in the equivalent period last year, an increase in utilisation from 59.9% to 64.9% and growth in rental rates of approximately 2%.

Operating costs (excluding depreciation and goodwill amortisation) decreased 4.4% to £107.7m reflecting the disposals and tight management. Consequently, despite the non-core business disposals, EBITDA for the year increased 12.5% to £48.6m representing an improved EBITDA margin of 31.1% compared to 27.7% in 2004. Divisional operating profit almost trebled to £11.7m representing a margin of 7.5% (2004 – 2.6%).

Ashtead Technology
Turnover for the year grew 14.4% at constant exchange rates to £12.4m and by 9.7% at actual exchange rates. Divisional operating profit increased by 29.6% at constant exchange rates to £3.4m and by 25.9% at actual exchange rates. Technology's divisional operating profit margin increased to 27.4% from 23.9% in 2004. These results reflected continued growth in its onshore environmental markets and offshore market conditions which improved significantly in the second half, especially in the North Sea.

Interest payable and similar charges
Interest payable and similar charges for the year decreased to £42.0m from £45.5m in 2004 due to the absence of exceptional costs. Before exceptional costs, interest expense rose by 14.8% reflecting lower average debt levels but higher average interest rates following issue of the 12% senior secured notes in April 2004 and the rises in US dollar interest rates during the year.

Profit/(loss) before taxation
The profit on ordinary activities before taxation was £16.4m compared with the loss of £33.1m in 2004. Before goodwill amortisation and exceptional items, the profit before tax increased to £25.3m from £7.6m in 2004 (£6.2m at constant exchange rates). After taxation, the profit for the year of £2.4m compared to the loss of £34.8m in 2004.

Taxation
The tax charge for the year of £14.0m (2004 - £1.7m) comprised a charge for current tax of £0.7m and a charge for deferred tax of £13.3m. 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 deferred tax charge of £13.3m arose entirely in the US. The Group is unable to recognise any deferred tax 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 profits) of 55.3% 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 profit mix between the UK and the US.

Earnings per share
Cash tax earnings per share were 7.6p (2004 – 2.4p). Cash tax earnings per share comprises earnings before goodwill amortisation, exceptional items and deferred tax divided by the weighted average number of shares in issue. Cash tax earnings per share is considered to be a relevant measure of earnings per share as the deferred tax liability is not expected to crystallise in the foreseeable future. After goodwill amortisation and exceptional items, and the accounting tax charge, basic earnings per share were 0.7p in 2005 compared to the loss of 10.8p in 2004.

Balance sheet

Tangible fixed assets

	2005 Rental Equipment £m	2005 Total £m	2004 Rental equipment £m	2004 Total £m
Opening balance	**469.7**	**535.5**	577.5	651.5
Exchange difference	**(21.5)**	**(23.3)**	(37.5)	(40.7)
Additions	**120.0**	**157.8**	64.1	72.3
Disposals at net book value	**(28.6)**	**(30.5)**	(37.9)	(42.5)
Reclassification	**(0.1)**	**–**	(0.2)	–
Depreciation – excluding impairment	**(86.6)**	**(102.4)**	(94.0)	(102.8)
– UK refocusing programme	**–**	**–**	(2.3)	(2.3)
Closing balance	**452.9**	**537.1**	469.7	535.5

Capital expenditure in the year was £157.8m. This included £32.3m resulting from our decision to reclassify certain leases (mainly relating to our delivery vehicle fleet) previously accounted for as operating leases as capital leases. Of this amount £19.4m relates to leases which had commenced prior to 30 April 2004. Treating these leases as capital leases increased reported capital expenditure and finance lease debt by £32.3m. It also resulted in the reclassification of lease payments of £7.8m from EBITDA to depreciation (£6.7m) and interest (£1.4m) thus reducing pre-tax profits by £0.3m.

Excluding this effect, capital expenditure rose from £72.3m in 2004 to £125.5m of which £120.0m was on the rental fleet.

	2005 Growth	2005 Maintenance	2005 Total	2004 Total
Sunbelt in $m	**46.0**	**106.7**	**152.7**	56.4
Sunbelt in £m	**24.1**	**55.8**	**79.9**	31.8
A-Plant	**–**	**35.4**	**35.4**	29.8
Ashtead Technology	**3.1**	**1.6**	**4.7**	2.5
Total rental equipment	**27.2**	**92.8**	**120.0**	64.1
Other fixed assets			**5.5**	8.2
			125.5	72.3
Lease capitalisation			**32.3**	–
Total additions			**157.8**	72.3

Capital expenditure was increased significantly in the year, mainly to enable Sunbelt to take advantage of the improving economic conditions in the US. £27.2m of the fleet expenditure was for growth with the remainder being spent to replace existing equipment. This proportion is estimated on the basis of the assumption that maintenance capital expenditure in any period is equal to the original cost of equipment sold in that period.

Expenditure on A-Plant's rental fleet was also increased from £29.8m to £35.4m as its performance improved. Disposals amounted to £37.6m (2004 – £32.6m) in the year, generating a profit on disposal of £7.1m (2004 – £5.2m) at a margin of 23.2% (2004 – 19.0%) above book value. The markets we use for disposing of used rental equipment continue to be healthy.

Operating and Financial Review

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2005, was 45 months on a net book value basis (2004 – 46 months). At the same date, Sunbelt's fleet had an average age of 46 months (2004 – 48 months) comprising 60 months for aerial work platforms which have a longer life and 31 months for the rest of its fleet whilst A-Plant's fleet had an average age of 43 months (2004 – 43 months).

In the coming year gross capital expenditure is expected to increase to approximately £160m.

Trade debtors
Debtor days improved to 53 days (2004 – 58 days). The bad debt charge as a percentage of total turnover was 1.1% in 2005 compared with 1.2% in 2004.

Trade and other creditors
Group creditor days decreased to 74 days at 30 April 2005 from 81 days at 30 April 2004. Capital expenditure related payables at 30 April 2005 totalled £35.9m (2004 – £21.1m). Payment periods for purchases other than rental equipment vary between seven and 45 days and for rental equipment between 60 and 90 days.

Other provisions
Other provisions of £15.0m (2004 – £14.7m) relate principally to provision for 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 and from injuries caused in motor vehicle accidents in which its vehicles 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 $500,000 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 £3.5m (2004 – £3.7m). The Group has three defined benefit pension plans, one which covers approximately 350 employees in the UK and which was closed to new members in 2001 and two other plans affecting only our executive directors. All our other pension plans are defined contribution plans.

In common with most other UK companies, the Group continues under UK GAAP to account for pensions under SSAP 24. The principal UK defined benefit plan was subject to its regular triennial actuarial valuation at 30 April 2004. This valuation showed the plan to be 71% funded on the basis used by the actuary to set funding rates and 81% funded on a SSAP 24 basis. Over recent years contributions have been increased, by agreement with the actuary and the trustees of the plan, to a rate which the actuary has advised is sufficient to eliminate the deficit over the average remaining service lives of the employees who are members of the plan.

The Group also provides the disclosures required by FRS 17 setting out the surplus or deficit in the Group's defined benefit pension plans on the specific actuarial basis required by that standard which is linked to market equity and bond values at our financial year end and, consequently, tends to be more volatile than the basis employed by the actuary to set funding rates. On the FRS 17 basis the combined deficit in the plans at 30 April 2005 was £16.2m (2004 – £12.5m). Despite the increased rate of contributions referred to above and a reasonable year for investment returns, the FRS 17 deficit increased primarily due to a reduction in bond yields at 30 April 2005 compared to the yields a year earlier which increased the discounted value of the plan liabilities by approximately £5.0m.

Cash flow

Free cash flow in the year ended 30 April 2005 (which is defined to exclude exceptional costs and which comprises our net cash inflow from operations excluding exceptional items, less net maintenance capital expenditure, interest and tax) is summarised below:

	Year to 30 April	
	2005	2004
	£m	£m
EBITDA before exceptional items	**169.7**	147.0
Cash inflow from operations before exceptional items	**164.8**	140.0
Cash efficiency ratio*	**97.1%**	95.2%
Maintenance capital expenditure	**(101.0)**	(82.9)
Proceeds received from sale of fixed assets	**35.9**	32.3
Tax (paid)/received	**(0.6)**	0.1
Free cash flow before interest	**99.1**	89.5
Interest paid (excluding exceptional interest)	**(30.2)**	(32.9)
Free cash flow after interest	**68.9**	56.6
Growth capital expenditure	**(10.2)**	–
Acquisitions and disposals	**0.5**	15.2
Issue of ordinary share capital on exercise of share options	**0.1**	–
Exceptional costs	**(5.7)**	(18.2)
Reduction in total debt	**53.6**	53.6

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

Cash inflow from operations reflected principally the growth in reported EBITDA. Consequently, cash inflow from operations increased 17.7% to £164.8m and the cash efficiency ratio was again high at 97.1% (2004 – 95.2%) as we continued to convert almost all our EBITDA into cash.

Net maintenance capital expenditure increased to £101.0m (2004 – £82.9m) as we spent broadly in line with depreciation on fleet maintenance over the year as a whole. Proceeds from the sale of fixed assets, principally used equipment sales, rose 11.1% to £35.9m (2004 – £32.3m) and represented 35.5% (2004 – 39.0%) of maintenance capital expenditure. Cash tax payments were minimal and are set to remain low. Interest payments were £30.2m (2004 – £32.9m) and were significantly lower than the £42.0m interest charge in the profit and loss account reflecting the timing of interest payments, particularly in respect of the 12% senior secured notes where only one semi-annual payment was made in the year.

Reflecting this, after interest, free cash flow rose 21.7% to £68.9m (2004 – £56.6m) but would still have increased by 9.0% even if the current year had included two semi-annual payments on the senior secured notes. This free cash flow and £0.5m of further proceeds received in the year from last year's sale of A-Plant's Irish business were applied:

(i) to pay £10.2m in respect of growth capital expenditure;
(ii) to pay outstanding exceptional refinancing costs of £5.7m, all of which had been accrued for at the 2003/4 year end; and
(iii) to reduce outstanding debt by £53.6m.

Based on its current projections, the Group expects to be able to fund its cash requirements relating to its operations from existing sources of cash including its committed borrowing facilities 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.

While emphasising primarily internal growth, the Group also expects to continue to expand through making small acquisitions that it would expect to fund by using cash, share capital, and/or the assumption of debt.

Operating and Financial Review

Net debt

	2005 £m	2004 £m
First priority senior secured bank debt and overdraft	**216.2**	226.1
Finance lease obligations	**32.0**	12.1
12% second priority senior secured notes, due 2014	**115.8**	115.6
5.25% unsecured convertible loan note, due 2008	**131.3**	130.6
	495.3	484.4
Cash at bank and in hand	**(2.1)**	(9.9)
	493.2	474.5
Non-recourse finance received under debtors' securitisation	**–**	52.2
Total net debt	**493.2**	526.7

Net debt at 30 April was £493.2m, a reduction of £33.5m since 30 April 2004. This reduction reflected the £53.6m debt pay down from cash flow outlined above as well as a beneficial translation effect of £15.1m offset by non-cash increases of £35.2m, almost all of which was due to the vehicle lease capitalisation discussed above. As a result of this cash flow and the growth in EBITDA, the ratio of net debt to EBITDA improved 19% from 3.6 times a year ago to 2.9 times at 30 April 2005.

Bank loan facility

On 12 November 2004, the previous first priority senior secured bank debt facility and the non-recourse finance received under the accounts receivable securitisation were repaid utilising drawings under the Group's new $675m five year, first priority asset based senior debt facility (the 'ABL facility'). Following its issue Standard & Poors assigned a BB– long-term rating (stable outlook) and Moody's a B1 (stable outlook) rating to the ABL facility.

The ABL facility consists of a $400m revolving credit facility and a $275m term loan and, as was the case with the facility repaid, is secured by a first priority interest in substantially all of the Group's assets. Pricing is based on the ratio of funded debt to EBITDA according to a grid which varies between LIBOR plus 300bp and LIBOR plus 225bp allowing the Company to benefit from its anticipated future de-leveraging. At 30 April 2005 the rate was LIBOR plus 225bp. In addition, the upfront underwriting and legal costs of the new facility are being amortised over its five-year life leading to an annual charge included within interest of approximately 75bp.

The ABL facility carries minimal amortisation of 1% per annum ($2.75m) on the term loan and is committed for five years until November 2009 subject only to the Company's £134m convertible subordinated loan note being refinanced prior to November 2007.

Available liquidity under the ABL facility at 30 April 2005 was £82.0m ($156.7m). As the ABL facility is asset-based, the maximum amount available to be borrowed (which includes drawings in the form of standby letters of credit) depends on asset values (receivables, inventory, rental equipment and real estate) which are subject to periodic independent appraisal. The maximum amount which could be drawn at 30 April 2005 was $645.8m but this amount can rise up to the $675m facility limit as additional assets are purchased during the life of the facility.

The ABL facility includes a springing covenant package under which quarterly financial performance covenants are only tested if available liquidity is less than $50m. These covenants relate to a maximum ratio of total debt to EBITDA, a minimum EBITDA requirement, a minimum fixed charge ratio (the ratio of EBITDA less capital expenditure, net of disposal proceeds to cash interest, taxes, distributions to equity holders, acquisition consideration paid and scheduled principal debt repayments). Because liquidity at 30 April 2005 much exceeded the $50m springing level there was no requirement to adhere to these covenants at that date although in practice all were met.

Accordingly the conclusion of the refinancing, together with the fact that neither of the Group's other debt lines (the senior secured notes due 2014 and the convertible subordinated notes due 2008) contain regularly measured financial covenants, means that the Group does not currently have any quarterly monitored financial performance covenants to adhere to.

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

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 notes are secured by second priority security interests over substantially the 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.

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.

Payments of the semi-annual interest under the convertible loan note may, under certain conditions, be postponed for up to 180 days by the lenders under the ABL facility and are additionally subject to the constraints set out in the indenture governing the second priority senior secured notes. 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 by the restrictions in the senior secured notes indenture, then such non-payment shall not constitute a default. Instead the amount of any such unpaid interest would 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. Whilst there is any unpaid interest outstanding the Company is precluded from making distributions to its equity holders.

Minimum contracted debt commitments

The completion of the ABL facility last November together with the issue of the ten-year second priority senior notes in April 2004 means that approximately 75% of our debt facilities have been refinanced within the last fifteen months – thereby extending our debt maturities to an average of five years at 30 April 2005. The table below summarises the maturity of the Group's debt and also shows the minimum annual commitments under off balance sheet operating leases at 30 April 2005 by year of expiry:

	Payments due by year						
	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	Thereafter £m	Total £m
Bank and other debt[1]	1.4	1.4	1.4	1.6	210.4	–	216.2
Finance leases[2]	10.8	8.3	4.9	3.3	3.6	1.1	32.0
12% senior secured notes[3]	–	–	–	–	–	115.8	115.8
Convertible loan note[4]	–	–	131.3	–	–	–	131.3
	12.2	9.7	137.6	4.9	214.0	116.9	495.3
Cash at bank and in hand	(2.1)	–	–	–	–	–	(2.1)
Net debt	10.1	9.7	137.6	4.9	214.0	116.9	493.2
Operating leases[5]	16.6	14.8	13.6	12.6	11.2	73.9	142.7
Total	26.7	24.5	151.2	17.5	225.2	190.8	635.9

1 Represents the scheduled maturities of our bank and other debt for the periods indicated.
2 Represents the future minimum lease payments under our finance leases.
3 Represents the carrying value of the £120m second priority secured notes.
4 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).
5 Represents the minimum payments to which we were committed under operating leases.

Operating leases relate principally to properties (most of which are leased) which constituted 97.5% (£139.2m) of our total minimum operating lease commitments. There are also a few remaining operating leases relating to the vehicle fleet which constituted the remaining 2.5% (£3.5m) of such commitments.

Operating and Financial Review

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 from 1 May 2003 to 30 April 2006. 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. The amounts payable or receivable are not revalued to fair value or shown in the Group balance sheet.

Except for the off balance sheet operating leases and interest rate swap described above, £14.5m ($27.8m) of standby letters of credit issued at 30 April 2005 under the first priority senior debt facility relating to the Group's self insurance programmes and a $3m performance guarantee facility utilised by Sunbelt, 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.

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 derivatives 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. As discussed above at 30 April 2005, the Group had swap agreements with an aggregate notional amount of $100m whose effect is to fix the interest rate exposure at 2.5% on $100m of US dollar borrowings.

The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the amended senior secured credit facility other than those to which the $100m swap applies. The interest rates currently applicable to this variable rate debt are LIBOR as applicable to the currency borrowed (US dollars or pounds) plus 2.25% for borrowings under the new senior secured credit facility.

At 30 April 2005, 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 40% of its debt 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 2005, a 1% change in the US dollar-pound exchange rate would impact our pre-tax profits by 1%. At 30 April 2005, the Group had no outstanding foreign exchange contracts.

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 2005, 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.

International Financial Reporting Standards (IFRS)

The Group is required to report its results under IFRS for the year ending 30 April 2006. The project to implement the adoption of IFRS is on schedule. The IFRS implementation project team was established in 2004 to ensure that appropriate processes and procedures were put in place to achieve the transition to IFRS. The project team reports to a steering committee comprising the Group finance director and senior financial management, with the external auditors in attendance. The Audit Committee is overseeing the project.

Under IFRS 1 – First-time adoption of IFRS the Group is required to restate its balance sheet at 1 May 2004 (being the commencement of the comparative period to the 2005/6 year in which adoption of IFRS is mandatory) in accordance with IFRS and then to apply IFRS in measuring its performance subsequent to that date. Consequently the implementation project focused initially on the impact of applying IFRS at 1 May 2004 and subsequently on the impact on 2004/5 earnings.

Key areas impacted by the Group's forthcoming adoption of IFRS are as follows:

- Goodwill: IFRS 3 – Business Combinations requires goodwill to be carried at cost and reviewed for impairment annually and if there are indications that the carrying value may not be recoverable, record an impairment charge. The goodwill balance at 1 May 2004 will be frozen and amortisation of the remaining goodwill through the Profit and Loss Account will cease. Furthermore, under IFRS the goodwill balance will be carried at the closing balance sheet exchange rate rather than the historical rate at the time of acquisition. This exchange adjustment reduces the carrying value of goodwill at 1 May 2004 by £16.7m.

- Convertible loan note: IAS 32 – Financial Instruments: Disclosure and Presentation requires that the financial liability and equity components of the 5.25% unsecured convertible loan note are considered and valued separately and included within liabilities and equity respectively. Consequently, under IAS 32, the Group's equity shareholders' funds at 1 May 2004 would have increased by approximately £14m whilst profits for 2004/5 and thereafter will, under IFRS, suffer an additional non-cash interest expense of approximately £3m.

- Pensions accounting: the accounting treatment required under IAS 19 – Employee Benefits is broadly similar to that required by the new UK pensions accounting standard FRS 17. Consequently, under IAS 19, the Group will include its UK pension deficit at 1 May 2004 of approximately £12.7m on the opening balance sheet with the initial adjustment being made against retained earnings. Thereafter the surplus or deficit in the plan will be evaluated annually using the actuarial method and assumptions stipulated by IAS 19. Actuarial gains and losses resulting from the annual IAS 19 evaluation will be recognised immediately as a reserves movement and will not impact reported profits.

- Share-based payments: Under IFRS 2 – Share-based payments, the Group will recognise a charge to the Profit and Loss Account representing the fair value of any share based payments. This is not expected to lead to a material difference between profits as reported under UK GAAP and under IFRS.

The reconciliation of the Group's reported net assets at 30 April 2004 and of the Group's reported profits for the year ended 30 April 2005 and of its net assets at that date to IFRS is summarised in the table below:

	Profit for year to 30 April 2005 £m	Net assets at 30 April **2005 £m**	Net assets at 30 April 2004 £m
Profit before tax/net assets under UK GAAP	**16.4**	**126.9**	131.8
Goodwill	**8.9**	**8.9**	–
Additional non-cash convertible loan note interest	**(3.0)**	**(13.4)**	(10.4)
Equity element of convertible loan note	**–**	**24.3**	24.3
Pensions	**(0.2)**	**(16.5)**	(12.6)
Share based payments	**(0.4)**	**(0.1)**	–
Restate $100m interest rate swap to fair value	**0.7**	**0.6**	(0.1)
Revaluation of Sunbelt goodwill to current exchange rates	**–**	**(24.7)**	(16.7)
Deferred taxation	**–**	**3.9**	4.2
Profit before tax/net assets under IFRS	**22.4**	**109.9**	120.5

Operating and Financial Review

The summary reconciliation of the impact of applying IFRS set out above has been prepared on the basis of all International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and interpretations issued by the International Accounting Standards Board ('IASB') and its committees and as interpreted by any regulatory bodies applicable to the Group. These are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to possible change. As a result, information contained within the summary reconciliation will require updating for any subsequent amendments to IFRS required for first time adoption or those new standards that the Group may elect to adopt early. In preparing this financial information, the Group has assumed that the European Commission will endorse the amendment to IAS 19, 'Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures'.

The Group's auditors, Deloitte, have now audited the Group's IFRS balance sheets at 30 April 2004 and 2005 and the profit for the year ended 30 April 2005 and have given an unqualified report on the results of their work to the directors. The unqualified report stated that, in their opinion, the balance sheets at 30 April 2004 and 2005 and the profit for the year ended 30 April 2005 under IFRS had been properly prepared in accordance with the basis of preparation described above. Their report contained an emphasis of matter in respect of the uncertainties described in the basis of preparation.

A full reconciliation statement in accordance with the requirements of IFRS 1 will be presented with the results for the quarter ended 31 July 2005, which will be the first results reported under IFRS.

Ian Robson
Finance Director
6 July 2005

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 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Summary of Movements in Shareholders' Funds, the Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Accounting Policies and the related Notes 2 to 26. 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 UK 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 UK 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 nine provisions of the July 2003 FRC 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 also report to you if, in our opinion, the Company has not complied with any of the requirements set out in the Financial Services Authority's Listing Rules 9.8.8R(2) with regards to the amount of each element in the remuneration package and information on share options, 9.8.8R(3), (4) and (5) with regards to details of long term incentive schemes for directors, 9.8.8R(11) with regards to money purchase schemes, and 9.8.8R(12) with regards to defined benefit schemes, and we give a statement, to the extent possible, of details of any non-compliance.

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 UK 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 2005 and of the profit 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
6 July 2005

Consolidated Profit and Loss Account

for the year ended 30 April 2005

	Notes	2005 Before goodwill amortisation and exceptional items £m	2005 Goodwill amortisation and exceptional items £m	2005 Total £m	2004 Before goodwill amortisation and exceptional items £m	2004 Goodwill amortisation and exceptional items £m	2004 Total £m
Turnover	2	**523.7**	**–**	**523.7**	500.3	(3.3)	497.0
Operating profit	2,3	**67.3**	**(8.9)**	**58.4**	44.2	(28.0)	16.2
Loss on sale of businesses		**–**	**–**	**–**	–	(3.8)	(3.8)
Interest payable and similar charges	4	**(42.0)**	**–**	**(42.0)**	(36.6)	(8.9)	(45.5)
Profit/(loss) on ordinary activities before taxation		**25.3**	**(8.9)**	**16.4**	7.6	(40.7)	(33.1)
Taxation on profit/(loss) on							
ordinary activities: – current tax	6	**(0.7)**	**–**	**(0.7)**	0.3	–	0.3
– deferred tax	6,18	**(13.3)**	**–**	**(13.3)**	(10.5)	8.5	(2.0)
		(14.0)	**–**	**(14.0)**	(10.2)	8.5	(1.7)
Profit/(loss) for the financial year transferred to/(from) reserves	20	**11.3**	**(8.9)**	**2.4**	(2.6)	(32.2)	(34.8)
Basic and diluted earnings/(loss) per share	8			**0.7p**			(10.8p)
Reconciliation of operating profit to EBITDA							
Operating profit		**67.3**	**(8.9)**	**58.4**	44.2	(28.0)	16.2
Depreciation and amortisation		**102.4**	**8.9**	**111.3**	102.8	11.5	114.3
EBITDA		**169.7**	**–**	**169.7**	147.0	(16.5)	130.5

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

The Group's 2005 results above are derived from continuing operations. There is no material difference between reported and historical cost profits for each of the years above.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 30 April 2005

	2005 £m	2004 £m
Profit/(loss) for the financial year	**2.4**	(34.8)
Foreign currency translation differences	**(7.8)**	4.9
Total recognised gains and losses in the year	**(5.4)**	(29.9)

Summary of Movements in Shareholders' Funds

for the year ended 30 April 2005

	2005 £m	2004 £m
Total recognised gains and losses in the year	**(5.4)**	(29.9)
Charge for incentive share plan awards	**0.4**	–
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	**(4.9)**	(27.6)
Shareholders' funds at the beginning of the year	**131.8**	159.4
Closing shareholders' funds	**126.9**	131.8

Consolidated Balance Sheet

at 30 April 2005

	Notes	2005 £m	2004 £m
Fixed assets			
Intangible assets:			
– goodwill	9	**134.0**	142.9
Tangible fixed assets:			
– rental equipment	10	**452.9**	469.7
– other fixed assets	10	**84.2**	65.8
	10	**537.1**	535.5
		671.1	678.4
Current assets			
Stock	12	**13.8**	15.1
Trade debtors subject to non-recourse financing	13	**–**	82.4
Non-recourse financing received	13	**–**	(52.2)
Trade debtors net of non-recourse financing		**–**	30.2
Other trade debtors	13	**80.6**	0.5
Prepayments and accrued income	13	**11.2**	11.2
Cash at bank and in hand	23 (c)	**2.1**	9.9
		107.7	66.9
Creditors – amounts falling due within one year			
Bank loans, overdrafts and finance lease obligations	14	**(12.2)**	(15.6)
Trade and other creditors	15	**(95.1)**	(77.3)
		(107.3)	(92.9)
Net current assets/(liabilities)		**0.4**	(26.0)
Total assets less current liabilities		**671.5**	652.4
Creditors – amounts falling due after more than one year			
5.25% unsecured convertible loan note, due 2008	16	**(131.3)**	(130.6)
Bank and other loans and finance lease obligations	16	**(351.8)**	(338.2)
Other creditors		**(7.9)**	(9.4)
		(491.0)	(478.2)
Provision for liabilities and charges			
Deferred taxation	18	**(38.6)**	(27.7)
Other provisions	18	**(15.0)**	(14.7)
		(53.6)	(42.4)
Total net assets		**126.9**	131.8
Capital and reserves			
Called up share capital	19	**32.6**	32.6
Share premium account	20	**100.8**	100.7
Revaluation reserve	20	**0.4**	0.5
Own shares held by ESOT	20	**(1.6)**	(1.6)
Profit and loss account	20	**(5.3)**	(0.4)
Total equity shareholders' funds		**126.9**	131.8

These financial statements were approved by the Board on 6 July 2005.

G B Burnett
Chief Executive

S I Robson
Finance Director

Consolidated Cash Flow Statement

for the year ended 30 April 2005

	Notes	2005 £m	2005 £m	2004 £m	2004 £m
Net cash inflow from operating activities					
Cash inflow before exceptional items	23(a)		**164.8**		140.0
Exceptional costs			**(5.7)**		(11.1)
Movement in non-recourse finance received under trade debtors' securitisation			**(51.6)**		(2.2)
Net cash inflow from operating activities			**107.5**		126.7
Returns on investments and servicing of finance					
Interest paid		**(30.2)**		(32.9)	
Exceptional bank facility costs		**–**		(7.1)	
Net cash outflow from returns on investments and servicing of finance			**(30.2)**		(40.0)
Taxation (outflow)/inflow			**(0.6)**		0.1
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(111.2)**		(82.9)	
Sale of tangible fixed assets		**35.9**		32.3	
Net cash outflow from capital expenditure and financial investment			**(75.3)**		(50.6)
Acquisitions and disposals inflow	23(d)		**0.5**		15.2
Net cash inflow before management of liquid resources and financing		**1.9**		51.4	
Financing					
Issue of ordinary share capital		**0.1**		–	
Drawdown of loans	23(e)	**244.6**		115.6	
Redemption of loans	23(e)	**(241.7)**		(156.6)	
Decrease/(increase) in cash collateral balances		**5.8**		(2.6)	
Capital element of finance lease payments		**(12.3)**		(8.6)	
Net cash outflow from financing			**(3.5)**		(52.2)
Decrease in cash	23(b)		**(1.6)**		(0.8)

Company Balance Sheet

at 30 April 2005

	Notes	**2005 £m**	2004 £m
Fixed assets			
Investments in Group companies	11	**277.6**	277.6
Current assets			
Debtors	13	**0.2**	0.2
Creditors – amounts falling due within one year			
Trade and other creditors	15	**(2.8)**	(2.9)
Net current liabilities		**(2.6)**	(2.7)
Total assets less current liabilities		**275.0**	274.9
Creditors – amounts falling due after more than one year			
5.25% unsecured convertible loan note, due 2008	16	**(131.3)**	(130.6)
Other loan notes	16	**(0.2)**	(0.2)
Other creditors		**(7.9)**	(9.4)
		(139.4)	(140.2)
Total net assets		**135.6**	134.7
Capital and reserves			
Called up share capital	19	**32.6**	32.6
Share premium account	20	**100.8**	100.7
Own shares held by ESOT	20	**(1.6)**	(1.6)
Profit and loss account	20	**3.8**	3.0
Total equity shareholders' funds		**135.6**	134.7

These financial statements were approved by the Board on 6 July 2005.

G B Burnett
Chief Executive

S I Robson
Finance Director

Notes to the Consolidated 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. A summary of the more important accounting policies, which have been applied consistently, is given in the following paragraphs.

The current asset disclosures in 2004 have been amended to reflect the additional disclosure provided in 2005.

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:

	2005	2004
Average for year	**1.8624**	1.7195
Year end	**1.9099**	1.7734

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.

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.

Notes to the Consolidated Financial Statements

1 Accounting policies continued

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.

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.

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.

1 Accounting policies continued

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 presented 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
2005							
Sunbelt	355.0	–	355.0	58.1	(8.5)	49.6	459.2
A–Plant	156.3	–	156.3	11.7	(0.2)	11.5	188.2
Ashtead Technology	12.4	–	12.4	3.4	(0.2)	3.2	11.3
Corporate costs	–	–	–	(5.9)	–	(5.9)	–
Central items*	–	–	–	–	–	–	(531.8)
	523.7	–	523.7	67.3	(8.9)	58.4	126.9
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

The segmental analysis by geographic unit is given below:

	Turnover		Operating profit		Net assets	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
North America	**360.3**	335.2	**46.2**	16.3	**465.3**	495.6
United Kingdom	**161.8**	160.3	**11.7**	(0.3)	**192.0**	189.2
Rest of World	**1.6**	1.5	**0.5**	0.2	**1.4**	1.4
Central items*	**–**	–	**–**	–	**(531.8)**	(554.4)
	523.7	497.0	**58.4**	16.2	**126.9**	131.8

*Net debt, deferred tax and, in 2004, non recourse funding under the debtors' securitisation.

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

Notes to the Consolidated Financial Statements

3 Operating costs

	2005			2004		
	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
Staff costs:						
Salaries	**155.8**	**–**	**155.8**	153.7	0.5	154.2
Social security costs	**13.4**	**–**	**13.4**	13.1	–	13.1
Other pension costs	**3.5**	**–**	**3.5**	3.7	–	3.7
	172.7	**–**	**172.7**	170.5	0.5	171.0
Depreciation and amortisation:						
Depreciation						
– owned assets	**94.0**	**–**	**94.0**	99.9	2.3	102.2
– leased assets	**8.4**	**–**	**8.4**	2.9	–	2.9
Goodwill amortisation	**–**	**8.9**	**8.9**	–	9.2	9.2
	102.4	**8.9**	**111.3**	102.8	11.5	114.3
Other costs:						
Vehicle costs	**42.0**	**–**	**42.0**	47.5	–	47.5
Spares, consumables and external repairs	**39.7**	**–**	**39.7**	36.3	–	36.3
Facilities costs	**27.8**	**–**	**27.8**	28.9	1.4	30.3
Refinancing costs	**–**	**–**	**–**	–	10.9	10.9
Other external charges	**78.9**	**–**	**78.9**	75.3	1.4	76.7
	188.4	**–**	**188.4**	188.0	13.7	201.7
Other operating income – profit on disposal of fixed assets	**(7.1)**	**–**	**(7.1)**	(5.2)	(1.0)	(6.2)
	456.4	**8.9**	**465.3**	456.1	24.7	480.8

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.

The costs shown in the table above include:

	2005 £m	2004 £m
Operating lease rentals:		
Relating to vehicles and other equipment (hire of plant and machinery)	**1.7**	11.1
Relating to land and buildings	**16.0**	16.2

Additions to fixed assets in the year shown in note 10 include £32.3m resulting from the reclassification as capital leases of certain leases (mainly relating to delivery vehicles) previously accounted for as operating leases. Of this, £19.4m relates to leases which had commenced prior to 30 April 2004. This reclassification increased reported capital expenditure and finance lease debt. It also resulted in the reclassification of lease payments of £7.8m from EBITDA to depreciation (£6.7m) and interest (£1.4m) and thus had a £0.3m adverse impact on reported pre-tax profits.

3 Operating costs continued

Remuneration payable to Deloitte & Touche LLP in the year is given below:

		2005 £000	2004 £000
Audit services	– statutory audit: Company	**20**	20
	– statutory audit: Group	**475**	530
	– other audit related reporting: Group	**187**	–
Other services	– internal audit: UK	**92**	219
	– due diligence: UK	**–**	1,480
	– other	**37**	26
		811	2,275

The fees for other services paid to Deloitte & Touche LLP are in respect of preparing and filing property tax returns.

4 Interest payable and similar charges

	2005 £m	2004 £m
Bank interest payable	**14.8**	24.1
Funding cost on trade debtors' securitisation	**2.3**	3.2
Interest on 5.25% unsecured convertible loan note, due 2008	**8.3**	8.1
Interest on 12% senior secured notes, due 2014	**14.7**	–
Interest payable on finance leases	**1.9**	1.2
Total interest payable before exceptional costs	**42.0**	36.6
Exceptional bank facility costs	**–**	8.9
	42.0	45.5

5 Exceptional items and goodwill amortisation

	2005 £m	2004 £m
Debt facility costs	**–**	20.6
UK business refocusing programme	**–**	6.1
Prior year impact of change in US estimation methods	**–**	5.3
US severance costs	**–**	0.5
Profit on sale of land and buildings	**–**	(1.0)
Total exceptional items	**–**	31.5
Goodwill amortisation	**8.9**	9.2
	8.9	40.7

Exceptional items are presented in the Profit and Loss Account as follows:

	2005 £m	2004 £m
Turnover	**–**	3.3
Staff costs	**–**	0.5
Depreciation	**–**	2.3
Other operating costs	**–**	13.7
Other operating income	**–**	(1.0)
Charged in arriving at operating profit	**–**	18.8
Loss on sale of businesses	**–**	3.8
Interest payable and similar charges	**–**	8.9
	–	31.5

Notes to the Consolidated Financial Statements

6 Taxation

	2005 £m	2004 £m
UK Corporation tax at 30% (2004 – 30%)	–	–
Overseas taxation		
– current year charge	0.8	0.2
– credit in respect of prior year	(0.1)	(0.5)
	0.7	(0.3)
Total current tax charge/(credit)	0.7	(0.3)
Deferred taxation – current year charge	11.4	0.9
– prior year charge	1.9	1.1
	13.3	2.0
Total tax charge	14.0	1.7

All of the 2005 and 2004 deferred tax relates to the origination and reversal of timing differences.

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

	2005 £m	2004 £m
Expected tax charge/(credit) based on the profit before taxation of £16.4m (2004 – £33.1m loss) for the year at the standard UK corporation tax rate of 30%	4.9	(9.9)
Accelerated capital allowances and other timing differences	(8.5)	10.9
Goodwill amortisation included in the loss before tax not allowable for tax	2.7	2.6
Impact of overseas profits/(losses) taxed at rates above the UK standard rate	2.1	(0.9)
Adjustment to tax charge in respect of previous periods	(0.1)	(0.5)
Other permanent differences	(0.4)	(2.5)
Total current tax charge/(credit) for the year	0.7	(0.3)
Deferred taxation charge for the year	13.3	2.0
Total tax charge for the year	14.0	1.7

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 profit for the financial year dealt with in the accounts of Ashtead Group plc is £0.4m (2004 – loss of £8.4m).

8 Earnings/(loss) per share

Earnings per share for the year ended 30 April 2005 has been calculated based on the profit for the financial year and on 322,969,610 (2004 – 322,931,814) 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 earnings per share is computed using the profit 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:

	2005			2004		
	Profit 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 profit/(loss) per share excluding the shares held by the ESOT	**2.4**	**323.0**	**0.7**	(34.8)	322.9	(10.8)
Outstanding share options	**–**	**3.3**	**–**	–	–	–
As used in the calculation of diluted earnings/(loss) per share	**2.4**	**326.3**	**0.7**	(34.8)	322.9	(10.8)

Cash tax earnings per share (defined in any period as the earnings/(loss) before exceptional items, goodwill amortisation and deferred taxation for that period divided by weighted average number of shares in issue in that period) may be reconciled to the basic earnings/(loss) per share as follows:

	2005	2004
Basic earnings/(loss) per share	**0.7p**	(10.8p)
Exceptional items	**–**	9.8p
Goodwill amortisation	**2.8p**	2.8p
Deferred tax	**4.1p**	0.6p
Cash tax earnings per share	**7.6p**	2.4p

9 Intangible assets – goodwill

	Cost £m	Amortisation £m	Net book value £m
At 1 May 2004	178.4	(35.5)	142.9
Amortisation during the year	–	(8.9)	(8.9)
At 30 April 2005	**178.4**	**(44.4)**	**134.0**

Goodwill written off directly to reserves as at 30 April 2005 was £61.9m (2004 – £61.9m).

Notes to the Consolidated Financial Statements

10 Tangible fixed assets

	Freehold property £m	Leasehold property £m	Rental equipment Owned £m	Rental equipment Held under finance leases £m	Office & workshop equipment £m	Motor vehicles Owned £m	Motor vehicles Held under finance leases £m	Total £m
Cost or valuation								
At 1 May 2004	34.8	27.3	801.0	12.9	22.6	4.0	6.1	908.7
Exchange differences	(0.7)	(1.2)	(37.6)	(1.0)	(0.8)	(0.3)	–	(41.6)
Reclassifications	–	–	3.2	(3.6)	0.4	–	–	–
Additions	0.1	1.6	120.0	–	2.5	1.8	31.8	157.8
Disposals	(0.6)	(0.7)	(94.6)	(0.1)	(0.8)	(1.5)	(1.0)	(99.3)
At 30 April 2005	**33.6**	**27.0**	**792.0**	**8.2**	**23.9**	**4.0**	**36.9**	**925.6**
Depreciation								
At 1 May 2004	5.3	7.7	343.9	0.3	14.2	0.2	1.6	373.2
Exchange differences	–	(0.4)	(16.8)	(0.3)	(0.5)	(0.1)	(0.2)	(18.3)
Reclassifications	–	–	(0.3)	–	0.3	–	–	–
Charge for the period	0.9	2.6	85.9	0.7	3.7	1.1	7.5	102.4
Disposals	(0.1)	(0.4)	(66.1)	–	(0.7)	(0.8)	(0.7)	(68.8)
At 30 April 2005	**6.1**	**9.5**	**346.6**	**0.7**	**17.0**	**0.4**	**8.2**	**388.5**
Net book value								
At 30 April 2005	**27.5**	**17.5**	**445.4**	**7.5**	**6.9**	**3.6**	**28.7**	**537.1**
At 30 April 2004	29.5	19.6	457.1	12.6	8.4	3.8	4.5	535.5

Additions include £32.3m as a result of reclassifying as finance leases, certain leases previously accounted for as operating leases. Of this, £19.4m relates to leases which had commenced prior to 30 April 2004.

Reclassifications principally relate to the purchase in the year of assets previously held under finance leases. Included in office and workshop equipment cost is £0.8m of computers held under finance leases on which the depreciation charge for the year was £0.2m.

The net book amount of leasehold property comprises:

	2005 £m	2004 £m
Long leasehold	**2.7**	3.0
Short leasehold	**14.8**	16.6
	17.5	19.6

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

	Freehold £m	Leasehold £m
Stated at cost	26.1	16.5
Stated at valuation performed at 30 April 1989	1.4	1.0
	27.5	17.5

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 30 April 2004 and 2005	**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.	US	US
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.	US	US

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

	2005 £m	2004 £m
Raw materials, consumables and spares	**7.9**	9.4
Goods for resale	**5.9**	5.7
	13.8	15.1

13 Debtors

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Trade debtors subject to non-recourse financing	**–**	82.4	**–**	–
Less non-recourse financing received	**–**	(52.2)	**–**	–
	–	30.2	**–**	–
Other trade debtors	**80.6**	0.5	**–**	–
Prepayments and accrued income	**11.2**	11.2	**0.2**	0.2
	91.8	41.9	**0.2**	0.2

14 Bank loans, overdrafts and finance lease obligations

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Short term element of secured bank loans	**1.4**	9.9	**–**	–
Short term element of finance lease obligations	**10.8**	5.7	**–**	–
	12.2	15.6	**–**	–

Notes to the Consolidated Financial Statements

15 Trade and other creditors

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Trade creditors	**39.0**	33.3	**–**	–
Bills of exchange payable	**–**	0.9	**–**	–
Taxation	**0.7**	0.6	**–**	–
Other taxes and social security	**6.4**	6.3	**0.1**	0.1
Amounts due to subsidiary undertakings	**–**	–	**0.8**	1.9
Accruals and deferred income	**49.0**	36.2	**1.9**	0.9
	95.1	77.3	**2.8**	2.9

Trade and other creditors include amounts relating to the purchase of fixed assets (including outstanding bills of exchange in 2004) of £35.9m (2004 – £21.1m).

16 Creditors – amounts falling due in more than one year

Bank and other loans are payable as follows:

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Between one and two years:				
– First priority senior secured bank debt	**1.4**	6.3	**–**	–
– Finance lease obligations	**8.3**	3.4	**–**	–
Between two and five years:				
– First priority senior secured bank debt	**213.2**	206.4	**–**	–
– Finance lease obligations	**11.8**	3.0	**–**	–
– Secured bank overdraft	**–**	3.3	**–**	–
– 5.25% Unsecured convertible loan note, due 2008	**131.3**	130.6	**131.3**	130.6
– Loan notes	**0.2**	0.2	**0.2**	0.2
Over five years:				
– Finance lease obligations	**1.1**	–	**–**	–
– 12% second priority senior secured notes, due 2014	**115.8**	115.6	**–**	–
	483.1	468.8	**131.5**	130.8

Interest is payable on these loans currently at rates between 5.1% and 12.0%. Secured bank debt and the senior secured notes are secured by way of, respectively, first and second priority fixed and floating charges over substantially all of the Group's assets.

First priority senior secured credit facility

On 12 November 2004 the previous first priority senior secured bank debt facility and the non-recourse finance received under the accounts receivable securitisation were repaid utilising drawings under the Group's new $675m five year, first priority asset based senior debt facility (the 'ABL facility').

The ABL facility consists of a $400m revolving credit facility and a $275m term loan and is secured by a first priority interest in substantially all of the Group's assets. Pricing is based on the ratio of funded debt to EBITDA according to a grid which varies between LIBOR plus 300bp and LIBOR plus 225bp. At 30 April 2005 the rate was LIBOR plus 225bp.

The ABL facility carries minimal amortisation of 1% per annum ($2.75m) on the term loan and is committed for five years until November 2009 subject only to the Company's £134m convertible subordinated loan note being refinanced prior to November 2007. The ABL facility includes a springing covenant package under which quarterly financial performance covenants are only tested if available liquidity is less than $50m. Available liquidity at 30 April 2005 was £82.0m ($156.7m). As the ABL facility is asset-based, the maximum amount available to be borrowed (which includes drawings in the form of standby letters of credit) depends on asset values (receivables, inventory, rental equipment and real estate) which are subject to periodic independent appraisal. The maximum amount which could be drawn at 30 April 2005 was £338.1m ($645.8m) but this amount can rise up to the $675m facility limit as additional assets are purchased during the life of the facility.

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

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 notes are secured by second priority security interests over substantially the same assets as the first priority senior secured credit facility and are also guaranteed by Ashtead Group plc.

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 lenders under the ABL facility and are additionally subject to the constraints set out in the indenture governing the second priority senior secured notes. 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 by the restrictions in the senior secured notes indenture, then such non-payment shall not constitute a default. Instead the amount of any such unpaid interest would 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. Whilst there is any unpaid interest the Company is precluded from making distributions to its equity holders.

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 2005:			
Sterling	1.6	1.5	0.1
US dollar	0.2	–	0.2
Singapore dollar	0.3	0.3	–
	2.1	1.8	0.3
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

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

Notes to the Consolidated 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 2005:					
Sterling	295.7	39.4	256.3	8.3	5.7
US dollar	199.6	124.2	75.4	5.1	1.7
	495.3	163.6	331.7	7.0	4.8
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

The Group's sterling fixed rate borrowings at 30 April 2005 comprised the £131.3m 5.25% unsecured convertible loan note, due 2008, the £115.8m second priority senior secured note due 2014, £0.2m of fixed rate loan notes issued by the Company and £9.0m of sterling finance lease obligations. The fixed rate US dollar borrowings relate to $100m (£52.3m) 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 £23.0m 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 £7.9m (2004 – £9.4m) due in March 2008, all of which bears interest at Barclays Bank's base rate plus 2% (2004 – £7.4m).

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 2005 the only currency exposures in the Group's operations in currencies other than their own functional currency related to payables of £nil (2004 – £1.9m) in the US payable in euros and £26.2m in the UK payable in US dollars.

d) Maturity of financial liabilities

	2005 £m	2004 £m
In one year or less	**12.2**	15.6
In more than one year but not more than two years	**9.7**	9.7
In more than two years but not more than five years	**356.5**	343.5
In more than five years	**116.9**	115.6
	495.3	484.4

By type of borrowing, the maturity dates at 30 April 2005 are as follows:

	Amount outstanding at 30 April 2005 £m	Date facility matures *
First priority senior secured credit facility	216.0	12 November 2009
5.25% unsecured convertible loan note, due 2008	131.3	31 March 2008
Ashtead Group plc loan notes	0.2	31 December 2008
Finance lease obligations	32.0	Various through 2011
Second priority 12% senior secured note due 2014	115.8	1 May 2014
	495.3	

* See note 16 for facility amortisation details.

17 Financial instruments continued

e) Borrowing facilities

Undrawn committed facilities at 30 April 2005 based on the amount which could be drawn under the $675m first priority senior bank facility based on the April borrowing base totalled £82.0m ($156.7m), which expires 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 2005. 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 overdrafts, 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 – 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 2005.

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

	At 30 April 2005		At 30 April 2004	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Short term borrowings and overdrafts	1.4	1.4	9.9	9.9
Finance lease obligations	32.0	32.1	12.1	12.0
Other secured bank loans and overdrafts (all of which bear interest at floating rates)	224.0	224.0	216.0	216.0
Other loan notes	0.2	0.2	0.2	0.2
12% second priority senior secured notes	120.0	135.6	120.0	120.0
5.25% unsecured convertible loan note	131.3	125.2	130.6	105.3
Cash at bank	(2.1)	(2.1)	(9.9)	(9.9)
	506.8	516.4	478.9	453.5
Less deferred costs of raising finance:				
– bank loans	(9.4)	–	–	–
– 12% second priority senior secured notes	(4.2)	–	(4.4)	–
	493.2	516.4	474.5	453.5
Derivative financial instruments held to manage interest rate profile:				
Interest rate swaps – net (gain)/loss	–	(0.6)	–	0.1

In line with the Group's accounting policy of accounting for derivatives used to manage the balance between fixed and floating interest rates on long term debt the amounts payable or receivable are recognised rateably in earnings over the period of the contracts, the total unrecognised gain on the interest rate swaps of £0.6m at 30 April 2005 will under UK generally accepted accounting principles be recognised in the year ending 30 April 2006.

Notes to the Consolidated Financial Statements

18 Provisions for liabilities and charges

Deferred taxation

	2005 £m	2004 £m
Liability recognised in the accounts:		
– Short term timing differences	**(11.7)**	(14.8)
– Tax effect of losses in subsidiary company	**(23.8)**	(42.0)
– Accelerated capital allowances	**74.1**	84.5
	38.6	27.7
Unrecognised deferred tax asset relating to:		
– Accelerated capital allowances	**35.8**	27.1
– Tax effect of losses	**1.5**	1.1
– Short term timing differences	**0.7**	0.5
	38.0	28.7

The movement in the year in the liability provided is:

	£m	£m
At 1 May	**27.7**	28.6
Exchange differences	**(2.4)**	(2.9)
Charged to Profit and Loss Account	**13.3**	2.0
At 30 April	**38.6**	27.7

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 Groups 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 2004	12.6	2.1	14.7
Exchange differences	(0.9)	–	(0.9)
Utilised	(7.4)	(1.2)	(8.6)
Charged in the year	8.2	1.6	9.8
At 30 April 2005	**12.5**	**2.5**	**15.0**

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.

19 Called up share capital

Ordinary shares of 10p each

	2005 Number	2004 Number	**2005 £m**	2004 £m
Authorised	**900,000,000**	550,000,000	**90.0**	55.0
Allotted, called up and fully paid	**326,074,928**	325,656,564	**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	2004 £m
Group							
Profit/(loss) for the financial year	–	–	–	–	2.4	2.4	(34.8)
Other recognised gains and losses relating to the year	–	–	–	–	(7.8)	(7.8)	4.9
Charge for incentive share plan awards	–	–	–	–	0.4	0.4	–
Goodwill transferred to Profit and Loss Account in respect of businesses sold in the year	–	–	–	–	–	–	2.3
Transfer of difference between depreciation based on historical costs and on revalued amounts	–	–	(0.1)	–	0.1	–	–
Share capital subscribed	–	0.1	–	–	–	0.1	–
Net additions/(reductions) to shareholders' funds	–	0.1	(0.1)	–	(4.9)	(4.9)	(27.6)
At 1 May 2004	32.6	100.7	0.5	(1.6)	(0.4)	131.8	159.4
Closing shareholders' funds	**32.6**	**100.8**	**0.4**	**(1.6)**	**(5.3)**	**126.9**	**131.8**
Company							
Profit/(loss) for the financial year	–	–	–	–	0.4	0.4	(8.4)
Other recognised gains and losses relating to the year	–	–	–	–	–	–	(198.6)
Charge for incentive share plan awards	–	–	–	–	0.4	0.4	–
Share capital subscribed	–	0.1	–	–	–	0.1	–
Net additions/(reductions) to shareholders' funds	–	0.1	–	–	0.8	0.9	(207.0)
At 1 May 2004	32.6	100.7	–	(1.6)	3.0	134.7	341.7
Closing shareholders' funds	**32.6**	**100.8**	**–**	**(1.6)**	**3.8**	**135.6**	**134.7**

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. The shares had a market value of £2.4m at 30 April 2005.

21 Operating leases

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

	2005 £m	2004 £m
Land and buildings:		
Expiring in one year	**0.5**	0.5
Expiring between two and five years	**4.5**	8.2
Expiring in more than five years	**10.5**	7.2
	15.5	15.9
Other:		
Expiring in one year	**–**	1.0
Expiring between two and five years	**1.1**	7.4
Expiring in more than five years	**–**	0.4
	1.1	8.8
Total	**16.6**	24.7

Notes to the Consolidated Financial Statements

21 Operating leases continued

Total minimum commitments under existing operating leases at 30 April 2005 through to the end of their respective term by year are as follows:

Financial year

	Land and buildings £m	Motor vehicles £m	Total £m
2006	15.5	1.1	16.6
2007	13.7	1.1	14.8
2008	12.8	0.8	13.6
2009	12.2	0.4	12.6
2010	11.1	0.1	11.2
Thereafter	73.9	–	73.9
	139.2	3.5	142.7

22 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 2004 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 2005 using methodologies appropriate to the nature of each plan.

The principal actuarial assumptions used for the main UK plan for funding and accounting purposes were the same except that for the pre-retirement investment return 7.25% per annum was used for funding purposes and 8.0% per annum for accounting purposes and for the assumed annual increase in salaries where 5.0% per annum was used for funding purposes and 4.5% per annum for accounting purposes. The other main assumptions for both funding and accounting purposes were the post-retirement investment return of 5.4% per annum and the annual inflation rate of 3.0%.

On a combined basis the market value of the plan assets at the respective valuation dates was £31.2m and the actuarial valuations showed a funding level of 77.3%. On the advice of the actuary, employee contributions to the main UK plan were increased to 7.5% of pensionable salary from 1 January 2005 and employer contributions were at the rate of 6.9% of pensionable salary plus £1.3m per annum from 1 January 2005. 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:

	2005 £m	2004 £m
Defined contribution plans	**1.5**	1.3
Defined benefit plans:		
– regular cost	**1.4**	2.3
– variation from regular cost	**0.6**	0.1
	3.5	3.7
Prepaid contributions	**0.5**	–
Accrual for unfunded pensions	**(0.2)**	(0.1)

22 Pensions continued

Additional pension disclosures under FRS 17

Each of the Company's defined benefit pension commitments were valued at 30 April 2005 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:

	2005	2004	2003
Rate of increase in salaries	**3.75%**	4.0%	4.0%
Rate of increase in pensions in payment	**2.75%**	2.75%	2.5%
Discount rate	**5.25%**	5.7%	5.5%
Inflation assumption	**2.75%**	3.0%	2.5%

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:

	2005		2004		2003	
	%	**£m**	%	£m	%	£m
Equities	**8.0%**	**20.6**	7.4%	17.3	7.3%	15.6
Bonds	**4.9%**	**11.0**	5.4%	9.0	5.0%	4.1
Property	**8.0%**	**2.9**	7.4%	2.3	7.3%	2.1
Cash	**–**	**–**	4.0%	0.8	4.0%	0.7
Total market value of assets		**34.5**		29.4		22.5
Present value of schemes' liabilities		**50.7**		41.9		37.0
Net deficit on the basis prescribed by FRS 17		**16.2**		12.5		14.5

Were FRS 17 to have been applied in the accounts at 30 April 2005 the impact on profit and loss account reserves and total shareholders' funds would have been as follows:

	2005 £m	2004 £m
Profit and loss reserve as reported in the accounts at 30 April	**(5.3)**	(0.4)
Amounts included in the balance sheet in the accounts	**(0.3)**	0.1
FRS 17 pension liability	**(16.2)**	(12.5)
Profit and loss reserve at 30 April if FRS 17 had been applied	**(21.8)**	(12.8)
Total shareholders' funds as reported in the accounts at 30 April	**126.9**	131.8
Amounts included in the balance sheet in the accounts	**(0.3)**	0.1
FRS 17 pension liability	**(16.2)**	(12.5)
Total shareholders' funds at 30 April if FRS 17 had been applied	**110.4**	119.4

Notes to the Consolidated Financial Statements

22 Pensions continued

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

	2005 £m	2004 £m
Charged within operating costs:		
Current service cost – defined benefit plans	**1.8**	2.3
Current service cost – defined contribution plans	**1.5**	1.3
Curtailment gain	**–**	(0.2)
	3.3	3.4
Charged within net interest payable and similar charges:		
Expected return on pension scheme assets	**2.0**	1.6
Interest on pension liabilities	**(2.4)**	(2.1)
	(0.4)	(0.5)
Amounts recognised in the Statement of Total Recognised Gains and Losses:		
Actual return less expected return on pension scheme assets	**0.5**	2.9
Experience gains/(losses) arising on scheme liabilities	**0.5**	(0.7)
Impact of changes in assumptions relating to the present value of scheme liabilities	**(5.0)**	–
Actuarial (loss)/gain	**(4.0)**	2.2
Movement in deficit during the year:		
At 1 May	**12.5**	14.5
Current service cost	**1.8**	2.3
Contributions	**(2.5)**	(2.4)
Net finance expense	**0.4**	0.5
Curtailment gains	**–**	(0.2)
Actuarial loss/(gain)	**4.0**	(2.2)
At 30 April	**16.2**	12.5

The movement in the year from a deficit of £12.5m to a deficit of £16.2m is primarily attributable to the £5.0m increase in the present value of the plan liabilities as a result of the reduction in market interest rates to 5.25% at 30 April 2005 (2004 – 5.7%). During the year the main indices against which the scheme assets are benchmarked increased by approximately 13%.

History of experience gains and losses:	2005 £m	2004 £m	2003 £m
Difference between actual and expected return on scheme assets:			
– amount	**0.5**	2.9	(5.4)
– percentage of scheme assets	**1%**	10%	(24%)
Experience gains and losses on scheme liabilities:			
– amount	**0.5**	(0.7)	0.5
– percentage of the present value of scheme liabilities	**1%**	(2%)	1%
Total amount recognised in the statement of total recognised gains and losses			
– amount	**(4.0)**	2.2	(7.6)
– percentage of the present value of scheme liabilities	**(8%)**	5%	(21%)

23 Notes to the cash flow statement

a) Cash flow from operating activities

	2005 £m	2004 £m
Operating profit	**58.4**	16.2
Depreciation of tangible fixed assets excluding exceptional impairment	**102.4**	102.8
Amortisation	**8.9**	9.2
Exceptional items	**–**	18.8
EBITDA	**169.7**	147.0
Profit on sale of tangible fixed assets	**(7.1)**	(5.2)
Decrease/(increase) in stocks	**0.4**	(4.4)
(Increase)/decrease in trade debtors	**(0.3)**	0.5
Increase in trade creditors	**1.5**	0.9
Exchange differences	**0.4**	1.2
Other non-cash movement	**0.2**	–
Net cash inflow from operating activities before exceptional items	**164.8**	140.0
Exceptional costs	**(5.7)**	(11.1)
Movement in non-recourse financing received under trade debtors' securitisation	**(51.6)**	(2.2)
Net cash inflow from operating activities	**107.5**	126.7

b) Reconciliation to net debt

	2005 £m	2004 £m
Decrease in cash in the period	**1.6**	0.8
Decrease/(increase) in cash collateral balances	**5.8**	(2.6)
Increase/(decrease) in bank loans (net)	**2.9**	(156.6)
Increase in second priority senior secured notes due 2014	**–**	115.6
Decrease in finance lease obligation	**(12.3)**	(8.6)
Change in net debt from cash flows	**(2.0)**	(51.4)
Exchange differences	**(14.5)**	(39.7)
Non cash movement – 5.25% unsecured convertible loan note, due 2008	**0.8**	0.8
– first priority asset based senior debt facility	**1.0**	–
– 12% second priority senior secured notes	**0.2**	–
– obligation due on finance leases	**33.2**	–
Movement in net debt in the period	**18.7**	(90.3)
Net debt at 1 May	**474.5**	564.8
Net debt at 30 April	**493.2**	474.5

Notes to the Consolidated Financial Statements

23 Notes to the cash flow statement continued

c) Analysis of net debt

	1 May 2004 £m	Exchange movement £m	Cash flow £m	Non-cash movements £m	30 April 2005 £m
Cash	(3.9)	0.2	1.6	–	(2.1)
Cash collateral balances	(6.0)	0.2	5.8	–	–
Overdrafts	3.3	–	–	(3.3)	–
	(6.6)	0.4	7.4	(3.3)	(2.1)
Debt due after 1 year	465.5	(14.1)	12.4	19.3	483.1
Debt due within 1 year	15.6	(0.8)	(21.8)	19.2	12.2
Total net debt	474.5	(14.5)	(2.0)	35.2	493.2

Non-cash movements relate to accrued interest on the 5.25% unsecured convertible loan note, due 2008, the amortisation of prepaid fees relating to the first priority senior secured credit facility, the redesignation of the overdraft as debt due after one year and the addition of new finance leases in the year.

d) Acquisitions and disposals

	2005 £m	2004 £m
Deferred consideration paid on prior year acquisitions	**–**	(0.1)
Net proceeds from sale of non-core businesses	**0.5**	15.3
	0.5	15.2

£0.5m was received in the year ended 30 April 2005 in relation to the Irish operations of A-Plant sold in January 2004.

e) Drawdown/redemption of loans

	2005 £m	2004 £m
Drawdown of loans		
Second priority senior secured notes due 2014 (net of costs)	**–**	115.6
Bank loans	**244.6**	–
	244.6	115.6
Redemption of loans		
Bank loans	**(241.7)**	(156.6)
Total net drawdown/(redemption) in the year	**2.9**	(41.0)

24 Contingent liabilities

The Group is subject to periodic legal claims in the ordinary course of its business. However, the claims outstanding at 30 April 2005 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 2005 the amount borrowed under these facilities was £216.0m (30 April 2004 – £225.9m). Additionally, subsidiary undertakings are able to obtain the letters of credit under these facilities which are also guaranteed by the Company and, at 30 April 2005, letters of credit issued under these arrangements totalled £14.5m ($27.8m). Additionally the Company has guaranteed the 12% second priority senior secured notes with a par value of £120m issued by Ashtead Holdings plc.

24 Contingent liabilities continued

The Company has also guaranteed operating and finance lease commitments of subsidiary undertakings where the minimum lease commitment at 30 April 2005 totalled £63.1m (2004 – £63.7m) in respect of land and buildings and £21.4m (2004 – £13.8m) in respect of other lease rentals of which £4.7m and £6.9m respectively is payable by subsidiary undertakings in the year ending 30 April 2006.

The Company has also guaranteed the performance by subsidiaries of certain other obligations up to £1.6m (2004 – £1.4m).

25 Capital commitments

At 30 April 2005 capital commitments in respect of purchases of rental equipment totalled £39.8m (2004 – £22.4m), all of which had been ordered. There were no other material capital commitments at the year-end.

26 Employees

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

	2005	2004
North America	**3,884**	3,763
United Kingdom	**2,059**	2,187
Rest of World	**11**	10
	5,954	5,960

Ten Year History

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
In £m										
Turnover +	**523.7**	500.3	539.5	583.7	552.0	302.4	256.0	202.5	147.6	95.9
Operating costs +•	**354.0**	353.3	389.4	398.6	345.3	181.4	146.4	113.3	85.2	53.7
EBITDA +•	**169.7**	147.0	150.1	185.1	206.7	121.0	109.6	89.2	62.4	42.2
Depreciation +•	**102.4**	102.8	111.0	117.8	117.6	66.8	63.3	48.5	33.2	21.2
Operating profit +•	**67.3**	44.2	39.1	67.3	89.1	54.2	46.3	40.7	29.2	21.0
Interest +•	**42.0**	36.6	40.9	49.1	50.7	10.9	7.7	5.0	1.8	1.2
Pre-tax profit/(loss) +•	**25.3**	7.6	(1.8)	18.2	38.4	43.3	38.6	35.7	27.4	19.8
Operating profit •	**58.4**	16.2	0.6	72.5	68.2	57.1	46.3	40.7	29.2	19.5
Pre-tax profit/(loss) •	**16.4**	(33.1)	(42.2)	(15.5)	11.1	46.2	38.6	35.7	27.4	18.3
Net cash flow from operating activities	**107.5**	126.7	210.3	202.0	173.0	111.4	93.3	77.6	56.5	33.1
Capital expenditure •x	**125.5**	72.3	85.5	113.8	237.7	158.2	150.5	153.4	98.9	61.0
Book cost of rental equipment •	**800.2**	813.9	945.8	971.9	962.8	629.5	527.9	394.1	245.6	172.2
Shareholders' funds •*	**126.9**	131.8	159.4	192.9	202.1	236.8	207.5	151.3	119.9	107.7
In pence										
Dividends per share	**Nil**	Nil	Nil	3.50p	3.50p	3.16p	2.70p	2.30p	1.83p	1.52p
In percent										
EBITDA margin +•	**32.4%**	29.4%	27.8%	31.7%	37.4%	40.0%	42.8%	44.0%	42.3%	44.0%
Operating profit margin +•	**12.9%**	8.8%	7.2%	11.5%	16.1%	17.9%	18.1%	20.1%	19.8%	21.9%
Pre-tax profit/(loss) margin +•	**4.8%**	1.5%	(0.3%)	3.1%	7.0%	14.3%	16.7%	17.6%	18.6%	20.6%
People										
Employees at year end	**5,935**	5,833	6,078	6,545	6,043	3,930	3,735	3,174	2,268	1,968
Locations										
Profit Centres at year end	**414**	428	449	463	443	352	341	275	181	164

\+ 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 the years to which they relate and to reflect the BET US 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.

* Shareholders' funds for the years up to 30 April 2003 were restated in 2003/4 to reflect shares held by the Employee Share Ownership Trust as a deduction from shareholders' funds in accordance with UITF 38.

x Capital expenditure in the year ended April 2005 excludes the lease capitalisation effect of £32.3m.

Our Locations

Sunbelt

Alabama
Alabama Pump & Power
Birmingham
Birmingham Scaffolding
Mobile Industrial Resources
Mobile Pump and Power
Pelham

Allegheny
Ashland
Charleston
Charlottesville
Roanoke
Winchester

Capital
Frederick
Fredericksburg
Gaithersburg
Manassas
McLean
Northern Pile Driving
Springfield
Sterling

Central
Charlotte
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
Savannah
Summerville

Southwest
Deer Valley
Las Vegas
Tempe

Delaware Valley
Pennsauken
Philadelphia
Southampton
South Jersey Pump & Power
Swedesboro

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

Inland Mountain
Boise
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
San Antonio

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

Northern California
Belmont
Belmont Scaffolding
Concord Scaffolding
Fresno
Fresno Scaffold
Sacramento
Sacramento Scaffolding

Ohio Valley
Cincinnati
Clarksville
Columbus
Florence, KY
Lexington
Louisville
Louisville Scaffolding
Reynoldsburg

Oregon
Albany
Eugene
Eugene Scaffolding
Gresham
Hillsboro
Longview Scaffolding
Portland
Portland Scaffolding
Salem
Salem Scaffolding
Vancouver, WA

South Florida
Boca Raton
Davie
Downtown Miami
Ft. Lauderdale
Pembroke Pines
Miami
Miami North
Plantation
South Florida AWP
South Florida Scaffolding
West Palm Beach
West Palm Beach Pump & Power

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

Our Locations

Sunbelt continued

South Texas
Beaumont
Houston AWP
Houston General Tool
Houston Scaffolding
Houston West

South Central
Evansville
Granite City
Indianapolis
Kokomo
Layfayette
St Louis

Southern California
Fontana
La Mirada
Los Angeles

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

Upstate South Carolina
Atlanta Industrial Resources
Augusta
Cayce
Columbia
Florence
Greenville
Little River
Myrtle Beach
Spartanburg
Wilmington
Wilmington Industrial Resources
Wilmington Scaffolding

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

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

A-Plant
Specialist Products

Access
Access Training
Avonmouth
Birmingham
Brentwood
Bridgend
Kendal
Manchester
Northampton
Nottingham
Stockton
Southampton

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

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

Rail
Derby
Manchester
Norwich
Perth
Romford
West London
West Midlands

Power Generation and Rentarc
Barton on Humber
Birkenhead
Carlisle
Derby
East London
Glasgow
Lowestoft
Manchester
Newport
North London
Salford
Stockton
Walsall

Traffic
Bradford
Colnbrook
Glasgow
Loughborough
Milton Keynes
North West
Perth
Romford
South East
South West
Stockton
West Midlands

A-Plant continued
Plant and Tools Division

East Midlands
Boston
Chesterfield
Chesterfield North
Derby Ascot
Derby North
Derby South
Grantham
Heanor
Newark
Nottingham Central
Nottingham West
Lincoln MP
Lincoln TH
Loughborough
Sleaford

Home Counties
Aylesbury
Cambridge
Colchester
Hemel Hempstead
Ipswich MP
Ipswich TH
Milton Keynes
Norwich
Long Stratton
Lowestoft
Luton
Waltham Abbey
Watford

London/South East
Barking
Battersea MP
Battersea TH
Bow
Canterbury
Croydon
Fareham
Ford
Gatwick
Harlow
Heathrow
Lancing
Leatherhead
Maidstone
Medway
Romford
Southwark
Staines
Staples Corner
Storrington

Midlands/South West
Birmingham
Burto
Coventry MP
Coventry TH
Erdington
Leicester
Northampton MP
Northampton TH
Nuneaton
Oldbury
Redditch
Stoke MP
Stoke TH
Telford
Walsall Wood
Wolverhampton

Scotland
Aberdeen
Ayr
Dundee
Earlston
Edinburgh
Falkirk
Glasgow Balieston
Glasgow MP
Glasgow TH
Inverness
Irvine
Kilmarnock

South West
Abergavenny
Barnstaple
Bodmin
Bournemouth
Bridgwater
Bristol
Bristol St Philips
Cardiff
Exeter
Milford Haven
Newport
Plymouth
Swindon
Swansea
Thatcham
Weymouth

Yorkshire/North East
Bradford
Doncaster
Gateshead
Hartlepool
Hull MP
Hull TH
Immingham
Leeds
Leeds Central
Leeds City
Middlesborough
Newcastle
Rotherham
Scunthorpe
Sheffield MP
Sheffield TH
Stockton
Sunderland
Wetherby
York

North West
Astley
Blackpool
Carlisle
Deeside
Egremont
Ellesmere Port
Kendal
Liverpool
Liverpool North
Liverpool City
Manchester
Oldham
Preston
Reddish
Salford
Warrington
Whitehaven

Ashtead Technology

Canada
Mississauga, Ontario

Singapore
Singapore

UK
Aberdeen
Hitchin

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

Key Financial Dates

2005 Annual General Meeting	20 September 2005
Quarter 1 results	20 September 2005
Quarter 2 results	Mid December 2005
Quarter 3 results	Mid March 2006
Quarter 4 and year-end results	End June 2006

"The Board anticipates reporting further progress in the coming year"

Designed and produced by **Emperor Design Consultants Ltd**
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