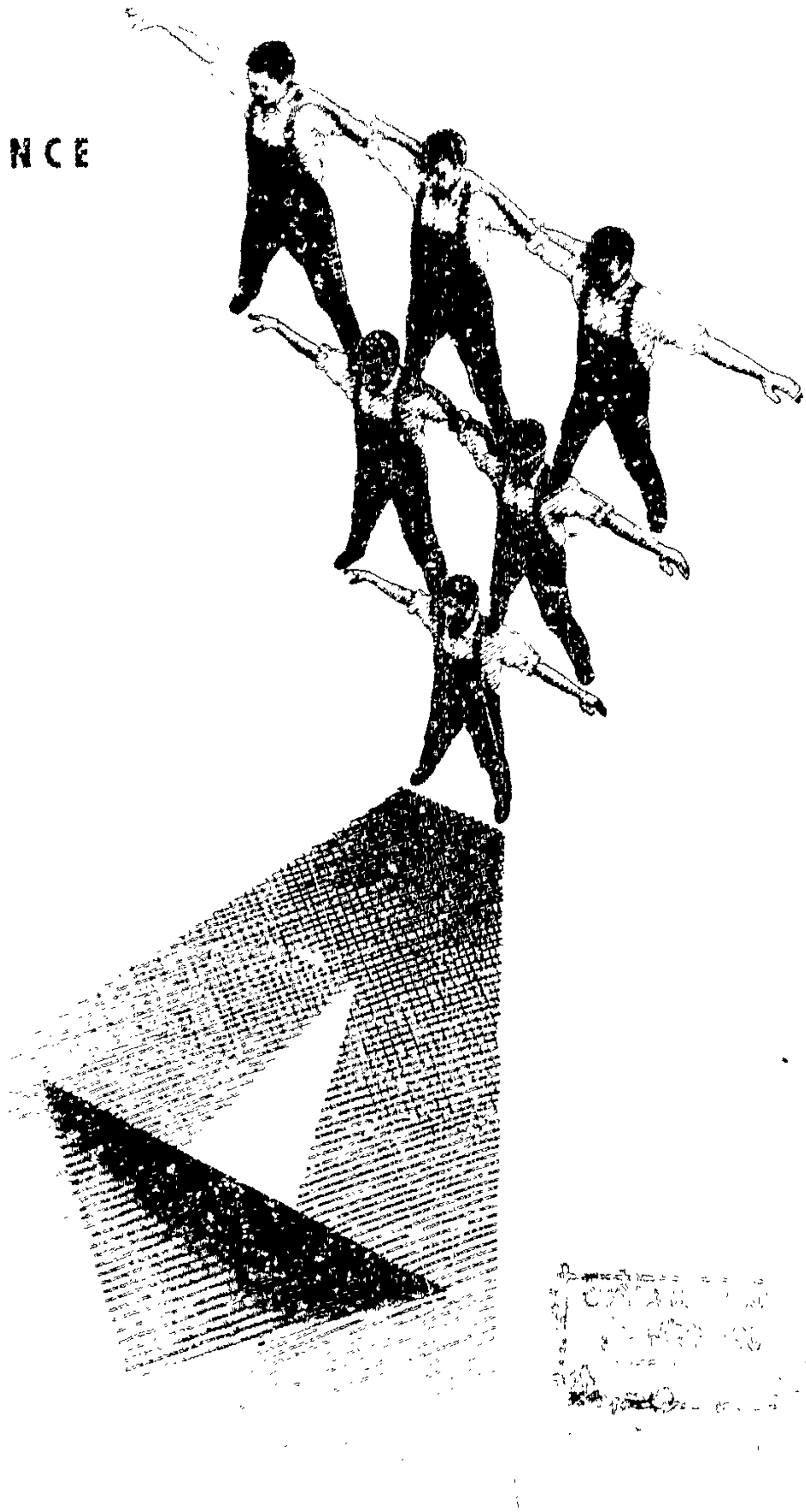
THE RIGHT BALANCE



ANNUAL REPORT AND ACCOUNTS *1989*

CHAIRMAN'S REPORT TO THE OWNERS

Five years ago your Board set three objectives to guide the development of the business:—

- ***To promote the hire of such a wide range of non-operated plant, that no customer need own any plant.***
- ***To provide this service by means of a team effort in a "classless" company.***
- ***To foster in every employee the desire to satisfy customers at a profit to their enterprise.***

These objectives continue to dominate our policies.

Dear Shareholder,
Your company's results for the year are:—

	Year to 30th April 1989	*Previous Year*	*Increase*
Turnover	*£22.4 Million*	*£13.0 Million*	*72.3%*
Pre-tax Profits	*£5.51 Million*	*£3.15 Million*	*74.9%*
Earnings per Share	*23.1p*	*15.2p*	*52.0%*
Pre-tax Margins	*24.7%*	*24.2%*	

DIVIDEND

Your Directors are recommending a final dividend of 1.85p net per share which will be payable on 19th October 1989 to shareholders on the register at 21st September 1989. The dividend for the year is 2.5p compared with 2p last year.

HIGHLIGHTS OF THE YEAR AND CURRENT YEAR TO DATE

The year ended 30th April 1989 is the fifth anniversary of the "Management Buy-In" effected by George Burnett and me. In that time pre tax profits have risen 73 fold from £75,000 to £5.5m and earnings per share from much less than 1p to 23.1p.

Your Board considers it appropriate to mark this occasion with a brief review of the business and its role in a much changed market place in the belief this will assist shareholders in a deeper understanding of their company. This follows on pages 7 to 10 and I will confine myself to the mention of the important events of our year and the immediate prospects for further growth.

CHAIRMAN'S REPORT TO THE OWNERS

The cumulative benefits of the further development of our operating philosophy and its application both to our existing business and the Power and Wimpole acquisitions made at the end of last year produced a further surge in profits in the second half for a total of £5,513,000, an increase of £2,362,000 over the previous year. Favourable winter weather conditions have been helpful but the underlying drive was provided by the sustained increase in demand for your company's particular services.

Pre-tax margins were increased despite the absorption of Power and Wimpole for the whole year and Reliant for 4 months. The last published or available figures for these businesses prior to acquisition showed an aggregate margin of 7%.

The Reliant business acquired on 18th January 1989 for an initial consideration of £5.8m produced £2.48m turnover. As forecast in our circular at the time of its purchase, Reliant's inherited product mix restricted its profit contribution in the four months to approximately £246,000.

We have accomplished much since the purchase of Reliant with its consequential impact on the rest of the business and by the start of the new year we had:–

- *integrated Reliant's 16 depots into our systems and procedures*
- *transferred Reliant employees to our "unique" employment contract and profit share programme after implementing the regrettable need to reduce the workforce by about 20%*
- *changed Reliant's three trading names to A-Plant*
- *discontinued operated hire and disposed of the plant*
- *invested £1.64m in Reliant's plant fleet to expand its range of equipment*
- *established four "Support Offices" – each with direct computer links to the Profit Centres they serve*
- *relocated the entire Corporate Office and Southern Support Office*
- *upgraded the company's computer installations so that, combined with the newly created Support Offices, your company has the financial controls and systems to manage more than double its present 46 Profit Centres without a further major restructuring*
- *expanded the number of Divisions from 4 to 7.*

Your Board believes that whilst the success with which these important simultaneous events were carried out within approximately 100 days owes much to the detailed planning that preceded them, it is also a confirmation of our operating structure's ability to handle the consequences of growth.

That growth is reflected in the fact that your company's pre-tax profits are more than the entire turnover 2 years ago; about 26,000 sales invoices are raised each month; there are over 50,000 items in the hire fleet and there are now 570 employees transacting on average 1,200 hires every working day.

Capital expenditure on plant additions in the year increased to £8.1m (£4.9m). Gearing at the year end was 52% compared with 66% a year earlier and this was after writing off goodwill of £5.4m. This sum included acquisition costs and reorganisation expenses relating to the Reliant and Wimpole acquisitions. The interest charge of £603,000 was covered 10.1 times. The previous year comparisons were £308,000 and 11.2 times.

Since the end of the year we have acquired the freehold and long leasehold of our Profit Centres in Thatcham and Astley (Manchester) which continues the process begun two years ago of strengthening the balance sheet with property assets directly related to our trading programme where sensible prices can be negotiated. Your company now owns 20 of its 46 locations in the form of freeholds or more than 50 year leaseholds. Allan N. Hertz FRICS carried out a property revaluation in April 1989 which revealed a surplus over book value of £830,000 of which £545,000 has been added to the reserves and the balance incorporated in the calculation of the Reliant goodwill.

In the period, property improvements either have been carried out or are nearing completion to the Profit Centres at Kilmarnock, Cumbernauld, Ayr, Astley, Lancing, Derby, Bristol, Coventry, Egremont, Leatherhead, Carlisle and Walsall Wood. The quality of our Profit Centre facilities is constantly under review and further improvements and relocations will take place this year.

In immediately integrating Reliant's business and changing its various names to A-Plant, we have recognised a fundamental difference between our approach to the management of acquisitions and that of other major companies in the industry. Your Board prefers to integrate rather than federate for the benefits not only of operating [illegible] but also more effective marketing. Our wide trading area for A-Plant and the [illegible] the "A-Team" are widely known in the industry.

Training and staff development have also continued to feature largely in the year. Your Training Department organised 59 courses for 371 personnel (equivalent to over 80% of our staff), and a permanent Training Centre is being established within the new Corporate Office. Nine of our present Profit Centre Managers have been promoted from within during the last 2 years. Much of our training focuses on product knowledge and plant maintenance. To provide the service rightly demanded by our customers, Managers, Hire Controllers and our 33 Technical Representatives must have a full understanding of the applications and uses of our plant. Prompt and efficient maintenance carried out by your company's 192 Engineers is a vital contribution to customer satisfaction. £2.5m was spent on parts and spares in the year and in accordance with our policy, all of this was charged to revenue.

Your company has also expanded its Apprenticeship Training Scheme. There are now 38 apprentices, all of whom are on the 4 year C.I.T.B. course. Your company has committed substantial resources to apprenticeship training as a means of overcoming present and predictable skill shortages and we have been most successful in retaining apprentices at the conclusion of their training. A-Plant apprentices have won annual skill awards in each of the last three years.

THE YEAR TO APRIL 1990

Your Board is confident of a satisfactory performance this year. Current trading is buoyant and the Reliant acquisition has begun to produce improved results with substantial scope for further organic growth. The underlying demand throughout the construction industry is strong and the Government's extensive Motorway improvement plans will be an additional opportunity for increased business.

I mentioned earlier our newly established capability to handle more than double our present 46 Profit Centres. This reflects our ambition as we seek to increase our present approximately 5% share of a market we estimate grew by 8% last year, and is now worth about £650m for non-operated plant. In a highly fragmented market your Board will continue its policy of growth by acquisition in many parts of the country at realistic prices.

Since the year end Pannell (Plant) Limited, a long established business in Plymouth, has been purchased for a cash sum equivalent to net asset value of approximately £150,000. This continues our growth in the West Country begun with the acquisition of Reliant's Bridgwater branch.

When the company was floated on the USM in December 1986 virtually all of our business was in the South East of England. Your Board recognised the potential for growth in the Midlands, North of England and Scotland and today over half our profits come from these areas. High interest rates, growing labour shortages, changes in fiscal policy concerning capital allowances and the construction industry's management practices all combine to make a prosperous future for a professionally managed hire specialist which your company strives to be in all parts of Great Britain.

THE PEOPLE WHO ARE THE "A-TEAM"

It can be seen from our objectives at the beginning of this report that people figure prominently in your Board's approach to the building of a successful service company. On the following pages we describe in more detail the Divisional structure and the vital role Profit Centre Managers play in the running and development of your company.

However, it is not just Managers who are the strength of the "A-Team". All employees contribute to the satisfaction of our objectives and rightly everyone benefits from our monthly paid profit share scheme under which £0.5m was earned in the year. We make no overtime payments as every employee is a staff member yet we have drivers who leave at 6.00 a.m. to arrive at sites on time; engineers who stay late to prepare equipment or are called out in the early hours of the morning to service portable traffic lights; support staff who work through the night at the end of each month to ensure that within two working days the Board has turnover figures from which, in a fixed cost business, a very accurate instant guide to profitability is possible.

These and everyone in the company share, through the profit share scheme, in the prosperity they help to create. They are the "A-Team" and their commitment and sense of involvement add lustre to your company's results.

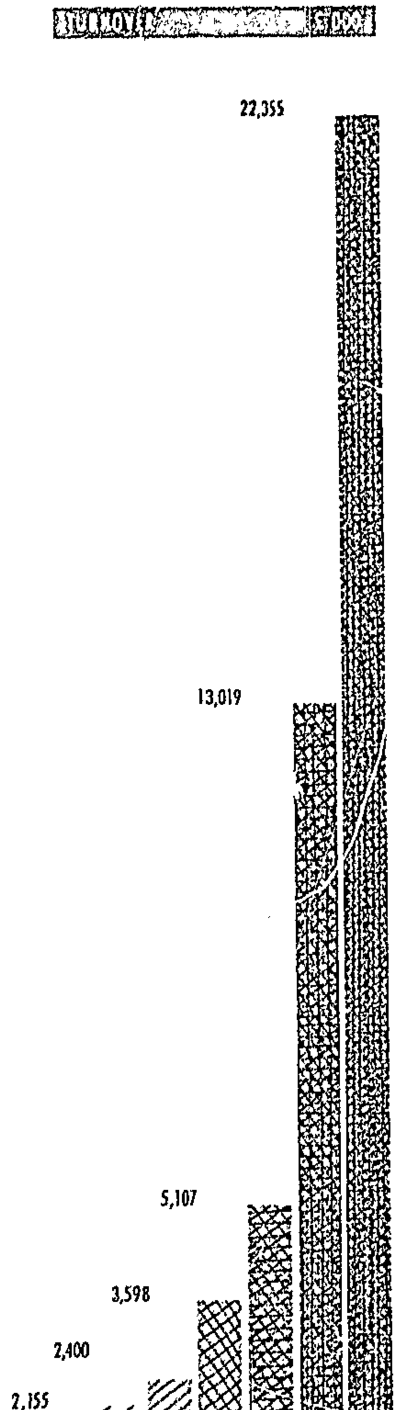
Yours sincerely,

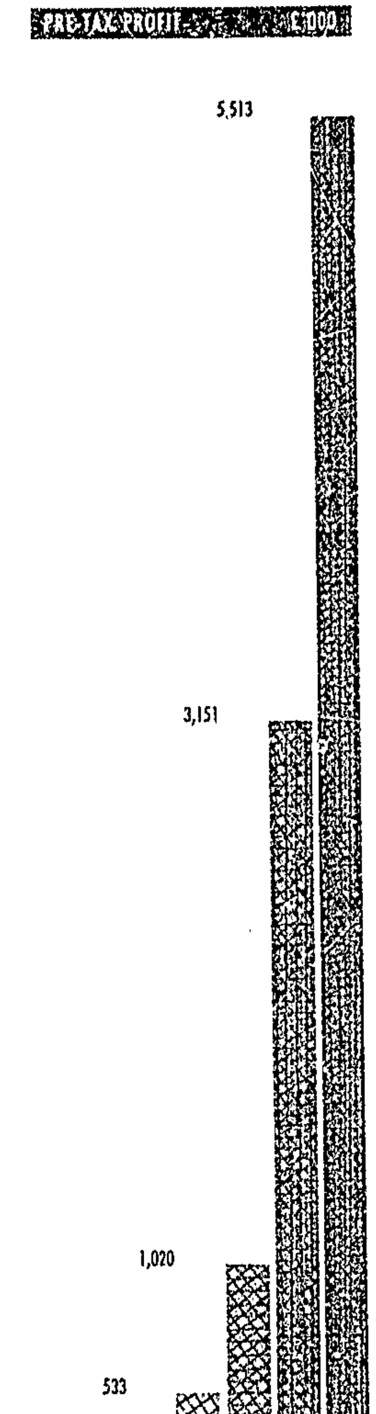
Peter Lewis
Chairman

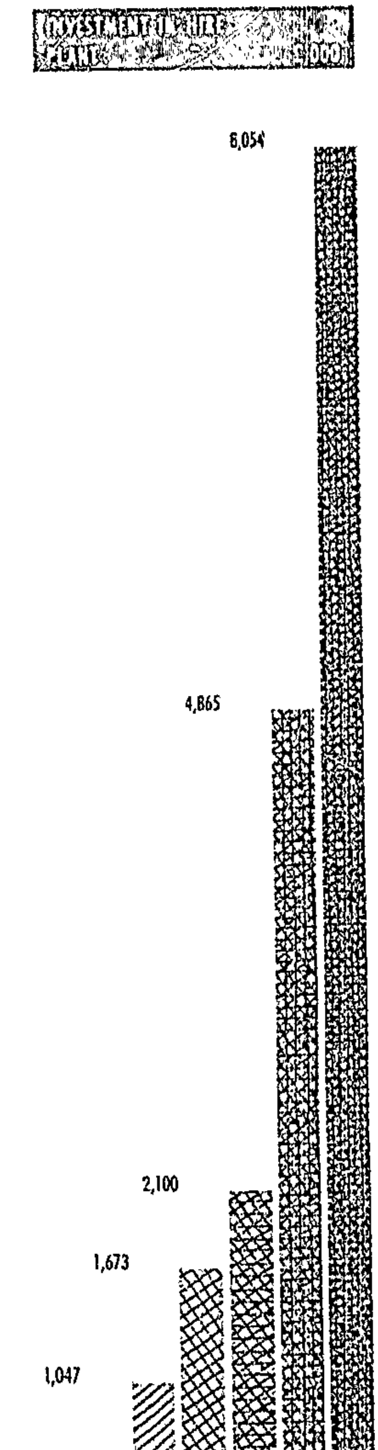
FINANCIAL HIGHLIGHTS

NOTE: Figures for 1984 figures are 7 months figures to April 1984 grossed up. Figures for 1985, 1986, 1987, 1988 and 1989 are for years to 30 April

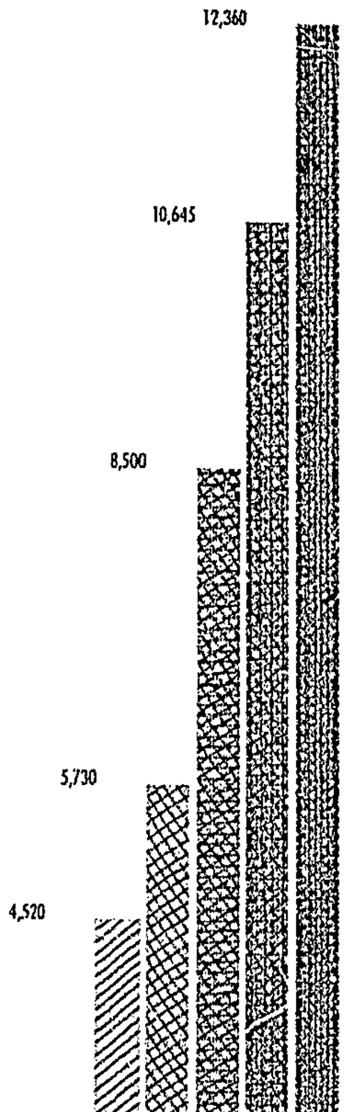
*Excludes acquisitions made





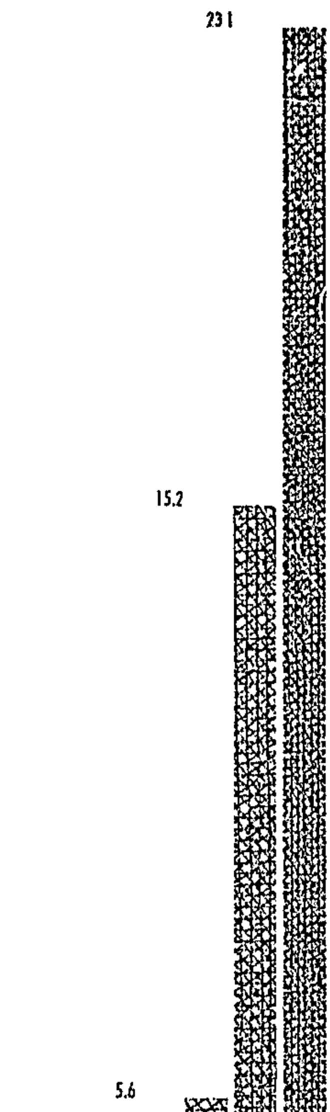


PROFIT PER EMPLOYEE £



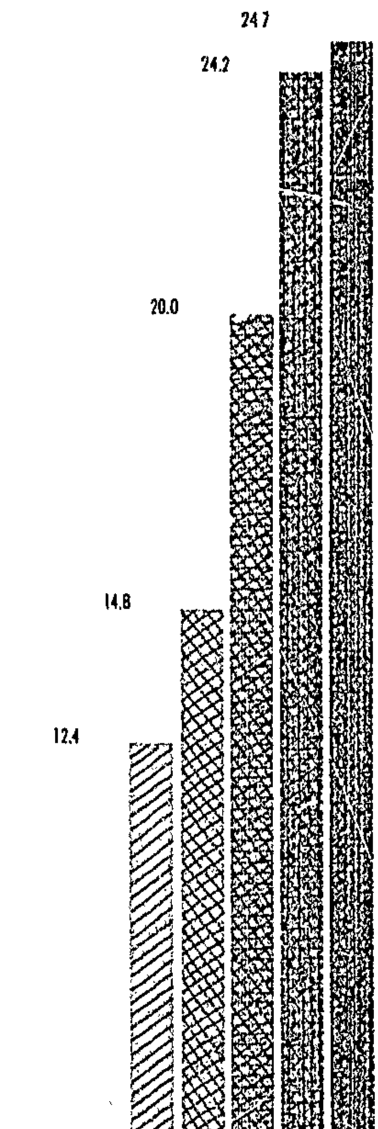
Adjusted to take account of the scrip issue on 18th October 1988

EARNINGS PER SHARE



Pre tax profit expressed as a percentage of turnover

NET PROFIT MARGIN %



REPORT OF THE DIRECTORS

For the year ended 30 April 1989

1 TRADING RESULTS AND DIVIDENDS

The Group's consolidated profit before taxation for the financial year is £5,513,000.

An interim dividend of 0.65p per ordinary share was paid on 6 April 1989.

The Directors recommend that a final dividend of 1.85p per ordinary share amounting to £332,000 be paid to the holders of the ordinary shares and that £3,223,000 be transferred to reserves. If approved this dividend will be paid on 19 October 1989 to the ordinary shareholders on record at 21 September 1989.

A review of the Group's business during the course of the year is included in the Chairman's Report on pages 3 to 5.

2 PRINCIPAL ACTIVITIES

The Company's activity is that of an investment holding and management company. The principal activity of the Group is the hiring out of plant and machinery.

3 SHARE CAPITAL

Details of the shares issued in the year are set out in note 18 to the financial statements.

A Special Resolution will be proposed at the Annual General Meeting to authorise the Directors to allot Ordinary Shares of the Company for cash otherwise than pro rata to existing shareholdings up to a maximum amount not exceeding 5% of the share capital of the Company currently in issue.

4 SHARE OPTION SCHEME

At 30 April 1989, 128,000 shares were subject to option at a price of 262.5p per share.

On 31 August 1989 the Directors intend to grant further options over 42,000 shares to its employees and over 13,076 shares to Mr. A. Anderson at a price of 325p per share, in accordance with the terms of the Company's share option scheme. The options are capable of being exercised on or after the third anniversary of the date the options were granted. Options must be exercised within ten years of the grant date.

Certain changes to the Share Option Scheme will be proposed at the Annual General Meeting of the Company, principally in order to simplify the procedure for granting options. If approved by Shareholders the amendments will be submitted to the Board of Inland Revenue for their formal approval prior to adoption by the Company.

5 DIRECTORS

The Directors of the Company are set out below, together with their beneficial interests in the share capital of the Company

	30 April 1989 Number of ordinary shares of 10p each		*30 April 1988 Number of ordinary shares of 10p each*	
	Beneficial	*Non-beneficial*	*Beneficial*	*Non-beneficial*
P. D. Lewis	*2,412,000*	*351,000*	*2,412,000*	*390,000*
G. B. Burnett	*2,482,000*	*320,000*	*2,482,000*	*320,000*
A. Anderson	*1,000*	–	*1,000*	–
P. A. Lovegrove	–	–	–	–

Shareholdings at 30 April 1988 have been restated to take account of the scrip issue on 18 October 1988 (see note 18 to the financial statements).

In addition Mr. A. Anderson holds share options over 60,000 shares (as restated for the impact of the scrip issue) at a price of 262.5p per share, which were granted on 30 August 1988, and is to be granted additional options on 31 August 1989 as set out in paragraph 4 above.

No changes in Directors' shareholdings have been notified to the Company since the end of the financial year. The re-election of Mr. P. A. Lovegrove, who retires by rotation in accordance with the Articles of Association of the Company, as a Director of the Company will be proposed at the Annual General Meeting. Mr Lovegrove is a non-executive Director and does not have a service contract with the Company.

6 FUTURE DEVELOPMENTS

The Group intends to develop by expanding the operations at its existing depots through continued investment in new plant and through acquisition in its mainstream plant hire business if suitable opportunities arise.

7 CLOSE COMPANY

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

8 FIXED ASSETS

Significant movements in fixed assets are detailed in note 9 to the financial statements.

REPORT OF THE DIRECTORS

For the year ended 30 April 1989

9 EMPLOYEES

The Company makes every reasonable effort to give disabled applicants, and existing employees becoming disabled, opportunities for work, training and career development in keeping within their individual aptitudes and abilities.

The Company has taken action consistently through the year to introduce, maintain and develop arrangements aimed at involving employees in the Company's affairs.

10 APPOINTMENT OF AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Alan Anderson

A. Anderson
Secretary
7 August 1989

Alan Anderson

AUDITORS' REPORT

To the Members of Ashtead Group PLC.

We have audited the financial statements on pages 16 to 30 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 April 1989 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

Chartered Accountants
7 August 1989

DIRECTORS, MANAGERS AND ADVISERS

DIRECTORS

Peter Lewis Chairman
George Barnett MA LLB CA Managing Director
Alan Anderson BSc CA Finance Director
*Philip Lovegrove LLM**

all of Ashtead House, Crouch Industrial Estate,
Barnett Wood Lane, Leatherhead, Surrey KT22 7DG

* Non executive

SECRETARY AND REGISTERED OFFICE

Alan Anderson BSc CA
Ashtead House, Crouch Industrial Estate,
Barnett Wood Lane, Leatherhead, Surrey KT22 7DG

AUDITORS

Price Waterhouse, Chartered Accountants
Southwark Towers, 32 London Bridge Street,
London SE1 9SY

BANKERS

Lloyds Bank Plc
147 High Street, Guildford, Surrey GU1 3AG

SOLICITORS

Baileys Shaw & Gillett
17 Queens Square, London WC1N 3RH

STOCKBROKERS

Laing & Cruikshank
Piercy House, 7 Copthall Avenue, London EC2R 7BE

REGISTRARS AND TRANSFER OFFICE

Lloyds Bank Plc, Registrar's Department
Goring-by-Sea, Worthing, West Sussex BN12 6DA

PROFIT CENTRE MANAGERS

James Bagguley
Barry Barnes
Ian Baker
David Bell
Andrew Benham*†
Keith Biggs
William Brotheridge
Austin Burns
Michael Cecil
Tracey Cormack
Malcolm Crickmore
Jack Cumming*†
Daren Cummings
John Dawson
John Devonport*†
Robert Dixon
Michael Edwards
James Grant
John Holdridge
Ivor Keightley
Joseph Kelly
Rowland Kirby
Robin Kirk*†
Paul Langstaff
Paul Lewis
Richard May
Alexander McGuffie
Kevin Miles
Melvyn Moore*
Kenneth Morgan
David Nichols
Dennis O'Donnell
John Pannell
Kenneth Purnell
Aidan Richardson
Keith Robertson BSc*†
Alistair Ross
Alan Smith
Timothy Tait*†
John Todd
Harry Vaughan†
Robert Watts
Fred Williams
George Winker
Stephen Woodburn
Anthony Wootton

* General Manager
† Divisional Chairman

SUPPORT SERVICES

Brian Ralley FCCA Commercial Director
Edward Forshaw General Manager, Marketing
Joseph Gardiner General Manager, Training & Staff Development

Financial Controllers:

Iain Guthrie CA Scottish Support Office
Tony Durant BSc ACA Northern Support Office
Derrick Adamson Midlands Support Office
Brian Key FCCA Southern Support Office
Anne Wettern BA ACA Group Support Office

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended
30 April 1989

	Notes	1989 £'000	1988 £'000
Turnover	1	22,355	13,019
Cost of sales		(14,341)	(8,173)
Gross profit		8,014	4,846
Administrative expenses		(1,898)	(1,387)
Operating profit	2,3	6,116	3,459
Interest payable and similar charges	4	(603)	(308)
Profit on ordinary activities before taxation		5,513	3,151
Taxation on profit on ordinary activities			
Current taxation	5	(1,577)	(802)
Deferred taxation	5	(247)	(233)
Profit for the financial year		3,689	2,116
Minority interest		(37)	—
Profit attributable to the shareholders of Ashtead Group PLC		3,652	2,116
Dividends	7	(429)	(276)
Retained profits transferred to reserves	19	3,223	1,840
Earnings per share	8	23.1p	15.2p

At 30 April 1989

	Notes	1989 £'000	1988 £'000
Fixed assets			
Tangible fixed assets			
– plant for hire	9	19,065	9,142
– other fixed assets	9	6,311	2,580
		25,376	11,722
Current assets			
Stocks	11	761	422
Debtors	12	6,059	4,334
Cash at bank and in hand		21	8
		6,841	4,764
Creditors — amounts falling due within one year			
Loans and overdrafts	13	3,644	2,828
Hire purchase liabilities	15	719	462
Trade and other creditors	14	13,022	6,106
		17,385	9,396
Net current liabilities		(10,544)	(4,632)
Total assets less current liabilities		14,832	7,090
Creditors — amounts falling due after more than one year			
Loans	16	(1,750)	(60)
Hire purchase liabilities	16	(77)	(164)
Other	16	–	(751)
Deferred taxation	17	(1,132)	(752)
		11,873	5,363
Capital and reserves			
Called up share capital	18	1,797	747
Share premium account	19	3,536	1,807
Revaluation reserve	19	545	–
Reserve for the elimination of goodwill	19	(894)	176
Profit and loss account	19	5,856	2,633
Shareholders' funds		10,840	5,363
Minority interest		1,033	–
		11,873	5,363

COMPANY BALANCE SHEET

At 30 April 1989

	Notes	1989 £'000	1988 £'000
Fixed assets			
Tangible fixed assets	9	676	70
Investments	10	3,319	1,496
		3,995	1,566
Current assets			
Debtors	12	3,924	1,674
Creditors — amounts falling due within one year			
Loans and overdrafts	13	7	120
Trade and other creditors	14	1,100	438
		1,107	558
Net current assets		2,817	1,116
Total assets less current liabilities		6,812	2,682
Creditors — amounts falling due after more than one year			
Loans	16	(1,250)	(60)
Deferred taxation		4	2
		5,566	2,624
Capital and reserves			
Called up share capital	18	1,797	747
Share premium account	19	3,536	1,807
Revaluation reserve	19	441	278
Reserve for the elimination of goodwill	19	(211)	(211)
Profit and loss account	19	3	3
		5,566	2,624

The accounts were approved by the Board on 7 August 1989.

P. D. Lewis

G. B. Burnett

Directors

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 30 April 1989

		1989		1988
	£000	£'000	£000	£000
Sources of funds				
Profit before taxation		**5,513**		3,151
Adjustment for items not involving the movement of funds				
– depreciation		**3,785**		1,791
– profit on sale of tangible fixed assets		**(403)**		(518)
		8,895		4,424
Other sources				
Issue of shares (net of associated costs)		**7,132**		2,420
Issue of loan notes		**1,250**		–
Sale of fixed assets		**1,327**		963
		18,604		7,807
Applications of funds				
Movement in hire purchase liabilities	170		(434)	
Goodwill arising on acquisition	(5,423)		(1,061)	
Dividends paid to shareholders of Ashtead Group PLC	(297)		(214)	
Dividends paid to minorities	(4)		–	
Redemption of minority interest	(271)		–	
Taxation paid	(554)		(91)	
Repayment of loans	(2,402)		(120)	
Purchase of fixed assets	(17,818)		(7,488)	
Loan balances in subsidiaries acquired	3,097		–	
Taxation provisions in subsidiaries acquired	401		165	
Minority interest in subsidiaries acquired	1,271		–	
		(21,830)		(9,243)
		(3,226)		(1,436)
Movement in working capital				
Increase in stocks	(339)		(102)	
Increase in debtors	(1,725)		(1,893)	
Increase in creditors	4,742		2,001	
		2,678		6
		(548)		(1,430)
Movement in net liquid funds				
Increase in cash at bank and in hand		**13**		2
(Increase) in bank overdraft		**(561)**		(1,432)
		(548)		(1,430)

The table below summarises the effects of companies acquired during the year ended 30 April 1989.

Net assets acquired after adjustments to reflect their fair value to the group:	£'000	Financed by:	£'000
Fixed assets		Issue of shares	4,543
– properties	956	Issue of loan notes	1,250
– plant for hire	5,735	Provision for future consideration	43
– other	478	Goodwill arising on acquisition	(5,423)
Stocks	328	Acquisition costs	340
Debtors	2,066		
Taxation	(217)		
Creditors	(2,673)		
Hire purchase liabilities	(883)		
Bank overdraft	(485)		
Loans	(3,097)		
Deferred taxation	(184)		
Minority interest	(1,271)		
	753		753

For the year ended 30 April 1989

[illegible]

Accounting convention
The financial statements have been prepared under the historical cost convention

Basis of consolidation
The financial statements include the results of the Company and all of its subsidiaries

Turnover, cost of sales and administrative expenses
Turnover represents the total amount receivable for the provision of goods and services to customers net of returns and value added tax. All of the Group's turnover arises in the United Kingdom.

Fixed assets
Fixed assets are stated at historical cost or valuation less accumulated depreciation.

Leasehold properties are amortised over the life of each lease. Other fixed assets are depreciated on a straight line basis at rates applied to the opening cost to write-off each asset over its useful life. The annual rates in use are as follows:

Freehold property	4%
Motor vehicles	25%
Plant for hire	12½% to 33⅓%
Office and workshop equipment	20%

Acquisitions and Goodwill
Acquisitions during the financial year have been accounted for on an acquisition basis and the results of companies acquired are therefore dealt with from the effective date of acquisition.

The net tangible assets of companies acquired are incorporated in the consolidated accounts at their fair values to the Group, after making adjustments to reflect the alignment of accounting policies where the accounting policies of acquired companies would otherwise be inconsistent with those of the Group.

Goodwill arising on acquisition is eliminated from the Group balance sheet either directly against reserves or by amortisation through the profit and loss account. The goodwill on acquisitions arising during the year ended 30 April 1989 has been charged to reserves.

Deferred taxation
Deferred taxation in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts is provided only to the extent that there is a reasonable probability that a liability will crystallise in the foreseeable future.

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

Repairs and maintenance
In addition to charging against revenue costs incurred in the period in respect of the repair and maintenance of plant, provisions are made at the year end to take account of any impending repairs.

Leases
Leases are accounted for as operating leases. Rentals due in each accounting period are charged to the profit and loss account.

For the year ended 30 April 1989

Operating profit is stated after charging (crediting) the following amounts

	1989 £'000	1988 £'000
Staff costs		
– salaries	4,724	2,740
– social security costs	448	274
– other pension costs	168	45
Depreciation	3,785	1,791
Profit on disposal of plant	(403)	(518)
Hire of plant and machinery	343	313
Auditors' remuneration	55	29

The average number of employees during the period was 446 (1988 – 296).

The number of employees with gross emoluments within the bands stated were:

	1989 £'000	1988 £'000
£30,001 – £35,000	1	–
£60,001 – £65,000	1	–

3 DIRECTORS' EMOLUMENTS

The emoluments of the directors, which are included in staff costs in note 2 above, were as follows:

	1989 £'000	1988 £'000
Fees	6	5
Other emoluments (including company pension contributions)	260	156
Chairman	56	37
Highest paid director	66	53
Other directors:	Number	Number
Nil – £5,000	–	1
£5,001 – £10,000	1	–
£35,001 – £40,000	–	1
£55,001 – £60,000	1	–

4 INTEREST PAYABLE AND SIMILAR CHARGES

	1989 £'000	1988 £'000
Interest on loans and overdrafts repayable within five years	490	201
Hire purchase interest	113	107
	603	308

For the year ended 30 April 1989

	1989	1988
	£'000	£'000
UK Corporation tax at 35% (1988 – 35%)	1,577	802
Deferred taxation	247	233
	1,824	1,035

6 PROFIT AND LOSS ACCOUNT

Ashtead Group PLC has not presented its own profit and loss account as permitted by Section 228(7) of the Companies Act 1985. The amount of the profit for the financial year dealt with in the accounts of Ashtead Group PLC is £429,000 (1988 – £276,000).

7 DIVIDENDS

	1989	1988
	£'000	£'000
Interim dividend of 0.65p net per share (1988 – 0.55p)	97	76
Proposed final dividend of 1.85p net per share (1988 – 1.45p)	332	200
	429	276

8 EARNINGS PER SHARE

Earnings per share for the year ended 30 April 1989 have been calculated based on the profit attributable to the shareholders of Ashtead Group PLC and on 15,789,015 shares being the weighted average number of shares in issue throughout the year. Earnings per share for the year ended 30 April 1988 is based on the profit for that financial year and on 13,893,852 shares being the weighted average number of ordinary shares in issue throughout that year as adjusted to take account of the scrip issue on 18 October 1988 (see note 18).

For the year ended 30 April 1989

	Freehold property £'000	Leasehold property £'000	Plant for hire £'000	Office and workshop equipment £'000	Motor vehicles £'000	Total £'000
Group						
Cost or valuation						
At 30 April 1988	1,308	217	14,190	490	1,338	17,543
Acquisitions	863	141	7,825	108	531	9,468
Additions	374	1,045	8,054	189	987	10,649
Disposals	–	–	(1,631)	(37)	(370)	(2,038)
Revaluation	259	189	–	–	–	448
At 30 April 1989	2,804	1,592	28,438	750	2,486	36,070
Depreciation						
At 30 April 1988	17	86	5,048	185	485	5,821
Acquisitions	17	31	2,090	48	113	2,299
Charge for the period	61	27	3,107	138	452	3,785
Disposals	–	–	(872)	(36)	(206)	(1,114)
Revaluation	(95)	(2)	–	–	–	(97)
At 30 April 1989	–	142	9,373	335	844	10,694
Net book value						
At 30 April 1989	2,804	1,450	19,065	415	1,642	25,376
At 30 April 1988	1,291	131	9,142	305	853	11,722
Company						
Cost or valuation and net book value						
At 30 April 1988	15	55	–	–	–	70
Additions	341	102	–	–	–	443
Revaluation	116	47	–	–	–	163
At 30 April 1989	472	204	–	–	–	676

No depreciation has been charged on the property owned by the Company. The amount involved is insignificant. The Group's freehold and long leasehold properties held at 30 April 1989 were valued as at that date by Allan N. Hertz FRICS on the basis of open market value for existing use. The valuations were made in accordance with the Guidance Notes issued by The Royal Institute of Chartered Surveyors.

The net book amount of leasehold property is comprised of:

	The Group 1989 £'000	The Group 1988 £'000	**The Company 1989 £'000**	The Company 1988 £'000
Long leasehold	**1,244**	55	**204**	55
Short leasehold	**206**	76	–	–
	1,450	131	**204**	55

For the year ended 30 April 1989

	Shares in Group companies £000
At 30 April 1988	1,496
Acquired in the year	1,823
At 30 April 1989	3,319

The Company's principal subsidiaries are Ashtead Plant Hire Company Limited, A-Plant Cabins Limited and Reliant Plant Limited. The Company owns directly, or through a subsidiary, all of the issued share capital of the above companies with the exception of Reliant Plant Limited. The share capital of Reliant Plant Limited is held as follows:

	Ashtead Group PLC	Other shareholders
Ordinary shares of £1 each	827,500	–
10% 'A' Preference shares of £1 each	–	1,000,000

The 'A' Preference shares are non-voting, have a fixed annual dividend and are entitled to repayment of no more than their nominal value in the event of liquidation or winding up. Under the terms of their issue they are to be redeemed by Reliant Plant Limited on or before 31 December 1990 at par.
All of the above companies are registered in England and their business is the hiring out of plant and machinery.

11 STOCKS

	The Group 1989 £'000	The Group 1988 £'000	**The Company 1989 £'000**	The Company 1988 £'000
Goods for resale	**215**	180	–	–
Raw materials, consumables and spares	**240**	207	–	–
Hire stocks	**306**	35	–	–
	761	422	–	–

For the year ended 30 April 1989

	The Group 1989 £'000	The Group 1988 £'000	The Company 1989 £'000	The Company 1988 £'000
Trade debtors	**5,913**	3,602	**–**	–
Amounts due from group companies	**–**	–	**3,918**	1,169
Prepayments and accrued income	**140**	212	**–**	–
Other debtors	**6**	520	**6**	505
	6,059	4,334	**3,924**	1,674

13 LOANS AND OVERDRAFTS

	The Group 1989 £'000	The Group 1988 £'000	The Company 1989 £'000	The Company 1988 £'000
Bank overdraft	**3,269**	2,708	**7**	–
Current element of chattel mortgage	**375**	–	**–**	–
Current element of 12% unsecured loan stock	**–**	120	**–**	120
	3,644	2,828	**7**	120

At the year end the bank overdraft was secured by a fixed and floating charge on the assets and undertaking of the company's subsidiary, Ashtead Plant Hire Company Limited.

The chattel mortgage is held over certain assets of Ashtead Plant Hire Company Limited and ranks in priority to the security for the bank overdraft over these assets up to the amount outstanding on the mortage.

14 TRADE AND OTHER CREDITORS

	The Group 1989 £'000	The Group 1988 £'000	The Company 1989 £'000	The Company 1988 £'000
Trade creditors	**5,894**	2,052	**–**	–
Bills payable	**1,111**	1,122	**–**	–
Accruals and deferred income	**2,035**	1,366	**758**	229
Taxation	**2,565**	523	**3**	–
Proposed dividend	**332**	200	**332**	200
Other taxes and social security	**459**	184	**1**	9
Other creditors	**626**	659	**6**	–
	13,022	6,106	**1,100**	438

For the year ended 30 April 1989

Hire purchase liabilities are disclosed in the balance sheet as follows

	The Group 1989 £'000	The Group 1988 £'000
Amounts due in less than one year	**719**	462
Amounts due in more than one year	**77**	164
	796	626

Amounts due in more than one year may be further analysed as follows:

	The Group 1989 £'000	The Group 1988 £'000
Payable between one and two years	**77**	161
Payable between two and five years	–	3
	77	164

16 CREDITORS – amounts falling due in more than one year

	The Group 1989 £'000	The Group 1988 £'000	The Company 1989 £'000	The Company 1988 £'000
Guaranteed loan notes 1991/1992	**1,250**	–	**1,250**	–
Chattel mortgage	**500**	–	–	–
Taxation	–	751	–	–
12% unsecured loan stock	–	60	–	60
Hire purchase liabilities (note 15)	**77**	164	–	–
	1,827	975	**1,250**	60

The Guaranteed Loan Notes 1991/1992 and chattel mortgage are payable as follows:

	1989 £'000	1988 £'000
Between one and two years	**1,125**	–
Between two and five years	**625**	–
	1,750	–

Interest is payable on the Guaranteed Loan Notes at a rate of 1.75% below the Lloyds Bank PLC base rate and on the chattel mortgage at 1.75% above the Barclays Bank PLC base rate.

For the year ended 30 April 1989

Deferred taxation at 30 April 1989 may be analysed as follows

	Provided in the accounts		Full potential liability	
	The Group	The Group	**The Group**	The Group
	1989	1988	**1989**	1988
	£'000	£'000	**£'000**	£'000
Short term timing differences	**(172)**	(123)	**(172)**	(123)
Accelerated capital allowances	**1,447**	967	**1,790**	1,146
Advance corporation taxation	**(143)**	(92)	**(143)**	(92)
	1,132	752	**1,475**	931

The movement in the year is as follows:	£'000
At 30 April 1988	752
New subsidiaries	184
Charged in year	247
Advanced corporation taxation (net)	(51)
At 30 April 1989	1,132

The potential deferred tax liabilitity arising on the revaluation of group properties has not been quantified as the directors do not intend to dispose of any of the revalued property within the foreseeable future.

18 CALLED UP SHARE CAPITAL

	1989	1988	**1989**	1988
	Number	Number	**£'000**	£'000
Authorised				
Ordinary shares of 10p each	**20,000,000**	8,500,000	**2,000**	850
Allotted, issued and fully paid				
Ordinary shares of 10p each	**17,965,250**	7,472,500	**1,797**	747

At the Annual General Meeting on 18 October 1988 the shareholders approved an increase in the authorised share capital to 20,000,000 ordinary shares of 10p each. At the same meeting the shareholders authorised the capitalisation of the sum of £747,250 being part of the share premium account, to be applied in paying up in full at par 7,472,500 ordinary shares which were allotted and distributed as fully paid to the existing shareholders in the proportion of one new ordinary share for every ordinary share held—"the scrip issue".

On 18 January 19[illegible] [illegible]392,708 shares were issued as part of the consideration for the acquisition of Reliant Plant Limited (see [illegible]) and a further 1,127,542 shares were issued at a price of 240p per share to raise £2,589,000 net of expenses of £117,000. These funds were used to provide additional working capital for the future expansion of the group.

Details of options over the Company's share capital are given in paragraph 4 to the Directors' Report.

For the year ended 30 April 1989

Group

	Share premium account £'000	Revaluation reserve £'000	Reserve for the elimination of goodwill £'000	Profit and loss account £'000	Total £'000
At 30 April 1988	1,807	–	176	2,633	4,616
Arising on issue of shares in the year	2,476	–	4,353	–	6,829
Scrip issue of shares	(747)	–	–	–	(747)
Elimination of goodwill on acquisition	–	–	(5,423)	–	(5,423)
Revaluation of properties	–	545	–	–	545
Retained profit for the year	–	–	–	3,223	3,223
	3,536	545	(894)	5,856	9,043

Company

	Share premium account £'000	Revaluation reserve £'000	Reserve for the elimination of goodwill £'000	Profit and loss account £'000	Total £'000
At 30 April 1988	1,807	278	(211)	3	1,877
Arising on issue of shares in the year	2,476	–	–	–	2,476
Scrip issue of shares	(747)	–	–	–	(747)
Revaluation of properties	–	163	–	–	163
Retained profit for the year	–	–	–	–	–
	3,536	441	(211)	3	3,769

20 ACQUISITIONS

On 18 January 1989 the Company acquired all the issued ordinary shares of £1 each of Reliant Plant Limited ('Reliant') for an initial consideration of £5,792,500 satisfied by the issue of 1,892,708 ordinary shares and the Guaranteed Loan Notes 1991/1992 with a nominal value of £1,250,000. In addition, the Company procured that Reliant redeemed its 270,832 'B' preference shares of £1 each at par on completion of the acquisition.

On 8 June 1989 the Company settled the balance of £103,000 being the initial consideration payable to Willmott Dixon (Holdings) Limited in connection with the acquisition of Wimpole Hire Limited. The settlement comprised the net asset value of £81,000 plus £200,000 for goodwill less the payment of £178,000 made at completion. Full provision for these amounts has been made in the accounts as at 30 April 1989.

The goodwill arising on these acquisitions is as follows:

	£'000
Nominal value of shares issued	190
Excess of market value over nominal value of shares issued	4,353
Nominal value of Loan Notes issued	1,250
Provision for additional consideration payable	43
	5,836
Net acquisition costs	340
Net assets acquired	(753)
	5,423

The excess of market value over nominal value of shares issued for the acquisition of Reliant has been taken to the reserve for the elimination of goodwill under relief available under Section 131 of the Companies Act 1985.

For the year ended 30 April 1989

Further consideration
Further co[illegible]sideration is payable under the terms of the agreements for the acquisition of the business and assets of Keyplant L[illegible]ted Wimpole Hire Limited and Reliant This further consideration is in each case dependent upon the levels of future [illegible]nover and cannot therefore yet be determined The relevant provisions of each agreement are summarised below

Business and assets of Keyplant Limited
The consideration payable may be adjusted under the terms of the Acquisition Agreement, as subsequently amended, dependent upon the levels of Turnover (as defined in the Agreement) between the Group and the Norwest Holst Group in the three year period following completion. Final settlement under this provision of the Agreement is due to take place in June 1990

Wimpole Hire Limited
Further consideration is payable in the event that Turnover (as defined in the Acquisition Deed) between the Group and subsidiaries of Willmott Dixon (Holdings) Limited during the two years following Completion exceeds £1,566,666.66 at the rate of 60 per cent of such excess up to a maximum amount of Turnover, which is calculated by reference to the actual amount of the initial consideration ("the Threshold Amount"). Additional consideration is also payable at the rate of 1 per cent of the amount by which Turnover exceeds the Threshold Amount. On this basis the maximum amount of further consideration payable by the Company is approximately £1.3 million plus an amount equal to 1 per cent of the amount by which Turnover exceeds the Threshold Amount.

In addition the Company has agreed to procure the repayment of up to £936,900, being the amount of the intercompany indebtedness between Wimpole Hire Limited and Willmott Dixon (Holdings) Limited as at Completion ("the Indebtedness"). The indebtedness was repaid as to £500,000 at Completion on 30 April 1988 and the balance will be repaid at a rate equal to 60 per cent, of the amount by which Turnover exceeds £833,333.33 during the two years following Completion. In the event that following such period the whole of the Indebtedness has not been repaid any balance outstanding will be waived by Willmott Dixon (Holdings) Limited.

Calculations in respect of the above provisions are to be performed on a four monthly basis and any amounts due are to be paid within seven days of the relevant period end.

Reliant Plant Limited
On completion of an audited statement of Reliant's profits for the 13 months ended 31 December 1988 and of its net assets at that date ("the completion accounts") the initial consideration of £5,792,000 is to be reduced by an adjustment calculated as follows:

(a) a sum equiv[illegible] to t[illegible]at percentage of £5,792,500 which any shortfall in the profit before tax for the 13 [illegible] to 31 December 1988 below the warranted pre-tax profits of £1,060,000 bears to [illegible] plus

[illegible]n equivalent to any amount by which the net asset value (as defined in the Acquisition Agreement) of Reliant as at 31 December 1988 is less than a stated minimum, which minimum is calculated by deducting from the warranted net assets of £2,505,649 the shortfall in the profits before tax for the 13 month period to 31 December 1988 below £1,060,000.

Preparation and audit of the completion accounts of Reliant is still in progress and accordingly the amount of any adjustment to the purchase consideration has not yet been determined.

Further consideration is payable under the terms of the acquisition agreement if the qualifying turnover of the business of Reliant for the two years ending 31 December 1990 exceeds twice the qualifying turnover of the business for the 12 month period to 31 December 1988. Ashtead will pay deferred consideration equal to 40 per cent of that excess up to an excess of £10,343,750. Further consideration is also payable at a rate of 1 per cent of any excess over £10,343,750.

On this basis the maximum amount of deferred consideration payable is approximately £4,137,500 plus an amount equal to 1 per cent of the amount by which the excess turnover is greater than £10,343,750. Any deferred consideration payable is to be satisfied as to 58.91 per cent in cash and the balance by the allotment of ordinary shares or loan notes.

For the year ended 30 April 1989

[illegible]

	1989 £'000	1988 £'000
Authorised by the board but not yet committed	–	–
Authorised and committed	–	501
	–	501

22 LEASES

Minimum annual commitments under existing operating leases in the year ending 30 April 1989 may be analysed by date of termination of the lease as follows:

	1989 £'000	1988 £'000
Land and buildings		
Terminating in one year	43	7
Terminating between two and five years	94	24
Terminating in more than five years	160	239
	297	270

	1989 £'000	1988 £'000
Other		
Terminating in one year	13	16
Terminating in between two and five years	105	58
	118	74

23 PENSIONS

The group operates a pension scheme for the benefit of its full time employees which is administered by trustees and is independent of the group s finances. The group's contributions to the scheme are charged against profit in the year in which they are incurred. An actuarial valuation of the scheme as at 30 April 1986 showed it to be fully funded.

24 POST BALANCE SHEET EVENTS

On 31 July 1989 the Company completed the acquisition of Pannell (Plant) Limited for an initial consideration of £50,000 payable in cash. The initial consideration is to be adjusted to be equivalent to the audited consolidated net asset value which has been estimated to amount to approximately £150,000.

Notice is hereby given that the Annual General Meeting of the Company will be held at 40 [illegible] Street London [illegible] on 17 October 1989 at 12 noon for the following purposes

1 To receive the audited financial statements of the Company for the year ended 30 April 1989 and the report of the Directors thereon

2 To declare a final dividend of 1.85p net per Share on the Ordinary Shares of the Company to be payable to the holders of such Ordinary Shares on the Register of Members on 21 September 1989

3 To re-elect Mr P A Lovegrove as a Director who retires by rotation and, being eligible, offers himself for re-election in accordance with the Company's Articles of Association

4 To re-appoint Price Waterhouse, Chartered Accountants, as auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration

To propose as an Ordinary Resolution:

5 That the Rules and subsidiary documentation of the Employee Share Option Scheme of the Company adopted on 20 July 1987 ("the Rules") (a copy of which is produced to the meeting and for the purposes of identification signed by the Chairman) be and are hereby amended as follows and such amendments be and are hereby adopted into the Rules (subject to the Company obtaining the Board of Inland Revenue's approval to the same):

(i) Rule 1, Definitions:

(a) Delete the existing definition of "Subscription Price" and replace with "the price at which each Ordinary Share subject to an Option may be acquired on the exercise of that Option";
(b) Insert as a new definition after the definition of "Subsidiary" a definition of "Subsisting Option" as "an Option which has neither lapsed nor been exercised".

(ii) Rule 3:

(a) In line two of 3(d) delete the words "the number of Options for which he is invited to apply" and replace with "the maximum number of Ordinary Shares over which the Eligible Executive may on that occasion apply for an Option";
(b) In line four of 3(d) delete the word "therefor" and replace with "at which the Ordinary Shares may be acquired on the exercise of any Option granted in response to the application";
(c) Delete all of the last sentence of 3(d) starting "If an application ..." and replace with "Not later than the thirtieth day following the issue of invitations the Board may grant to each applicant who is still an Eligible Executive an option over the number of Ordinary Shares specified in his application".

(iii) Rule 4:

(a) In the first line immediately after the words "Subscription Price" delete the words "of an" and replace with "at which each Ordinary Share subject to an Option may be acquired on the exercise of that";
(b) In the first line of 4(b) immediately after the words "Ordinary Share" insert the words "on the day the invitation to apply for that Option was issued pursuant to Rule 3";
(c) In the fifth line of 4(b) delete the words "for such date being the twenty first day before Options are granted as the Board may determine".

(iv) Rule 5:

In the third line delete the word "Options" and replace with "the Ordinary Shares which are subject to Subsisting Options".

(v) Rule 6:

In the fourth line delete "550,000" and replace with "1,100,000".

Notes

(I) Every member entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. Forms of proxy must be lodged with the Company's Registrar's, Lloyds Bank PLC, Registrars Department, Goring-by-Sea, Worthing, West Sussex, BN12 4ZZ not less than 48 hours before the Meeting. Completion of the form of proxy does not preclude the member from attending the meeting and from voting thereat.

(II) Copies of service contracts of the Directors with the Company and its subsidiaries that are for periods in excess of one year will be available for inspection at the Company's registered office during business hours on any weekday (excluding Saturdays and public holidays) from the date of this Notice until the date of the Meeting and at the venue of the Meeting from 11.45 am on 17 October 1989 until the conclusion of the Meeting.

(III) A copy of the rules of the Company's Employee Share Option Scheme and of the rules of the Scheme in the form that they will be in after amendment by Resolution 5 and approval by the Inland Revenue will be available for inspection at the times and places mentioned in note (II) above.

(vi) Rule 9

In lines two and three of 9(a)(ii) delete "of the Subscription Prices of the" and replace with "Subscription Price of the Ordinary Shares comprised in the"

(vii) The form of Share Option Certificate

In the propenultimate line of paragraph 1 before the words "ordinary shares" insert "[illegible]"

(viii) Generally

References to sections of or schedules to Finance Acts and the Income and Corporation Tax 1970 be replaced with appropriate references to the Income and Corporation Taxes Act 1988

In all other respects the Rules remain as originally drafted.

To propose as a Special Resolution

6 "That the Directors be and they are hereby generally and unconditionally empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in sub-section (2) of Section 94 of the Companies Act 1985) for cash pursuant to the authority conferred by Resolution number 4 set out in the Notice convening the Annual General Meeting of the Company for 1988 which was duly convened and held on 18 October 1988 and at which the said Resolution was duly passed as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to such allotment, provided that this power shall be limited

(a) to the allotment of equity securities for the purpose of or in connection with a rights issue (notwithstanding that by reason of such exclusions or other arrangements as the Directors may deem necessary or desirable to deal with problems arising in any overseas territory or in connection with fractional entitlements or record dates or otherwise howsoever the equity securities to be allotted are not offered to all Shareholders in proportion to the number of Shares held by each of them); and

(b) to the allotment of equity securities (other than pursuant to (a) above) up to an aggregate nominal amount equal to £89,826

and shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which could or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired."

Allan Anderson

By order of the Board
A. Anderson
Secretary 7 September 1989

Registered Office:
Ashtead House,
Crouch Industrial Estate,
Barnett Wood Lane,
Leatherhead,
Surrey,
KT22 7DG.

I/We

of

(BLOCK LETTERS)

being (a) member(s) of the above named company, hereby appoint the Chairman of the meeting, or (see note 1)
of

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held on 17th October 1989 and at any adjournment thereof.

I/We desire my/our said proxy:

(a) to vote on the resolutions set out below in the manner indicated by an 'X' in the appropriate spaces;
(b) to vote or abstain from voting on any other resolutions which may be properly moved at the Meeting and at any adjournment thereof as he thinks fit.

Date

Signature (See notes 2 & 5)

	For	*Against*
Ordinary Resolutions		
1 To receive the Directors' Report and Financial Statements		
2 To declare a final dividend		
3 To re-elect Mr. P. A. Lovegrove as Director of the Company		
4 To re-appoint Price Waterhouse, Chartered Accountants, as auditors and to authorise the Directors to fix their remuneration.		
5 To change the rules of the Company's Employee Share Option Scheme.		
Special Resolution		
6 To disapply the provisions of Section 89(1) Companies Act 1985		

Notes

1 If you wish to appoint any other person or persons as your proxy, please delete the words 'the Chairman of the meeting or' and insert the name(s) and address(es) of your proxy or proxies in the space provided; you should initial any changes. A proxy need not be a member of the Company.

2 To be valid this form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must be deposited either at the registered office of the Company or at the offices of the Company's Registrars not less than 48 hours before the time fixed for the holding of the meeting.

3 On receipt of this form of proxy duly signed, without any specific directions as to how you wish your votes to be cast, your proxy will be deemed to have been authorised to vote or to abstain from voting as he thinks fit.

4 In the case of joint holders, only one need sign this form, but the names of all joint holders must be stated. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register.

5 If the appointer is a corporation, this form of proxy must be either under its common seal or under the hand of an officer or attorney duly authorised.

6 The completion and return of this form of proxy will not prevent you from attending and voting in person at the above-mentioned meeting.

THIRD FOLD AND TUCK IN

Postage will be paid by licensee

Do not affix Postage Stamps if posted in Gt. Britain, Channel Islands, N. Ireland or the Isle of Man

2

FIRST FOLD

BUSINESS REPLY SERVICE
LICENCE No WG88

Lloyds Bank plc
Registrars for Ashtead Group PLC
Registrars Department
Goring-by-Sea
WORTHING
West Sussex BN12 4ZZ

SECOND FOLD