BRANDON HIRE PLC

ANNUAL REPORT & ACCOUNTS **2004**

35 YEARS
TRUST IN EXPERIENCE

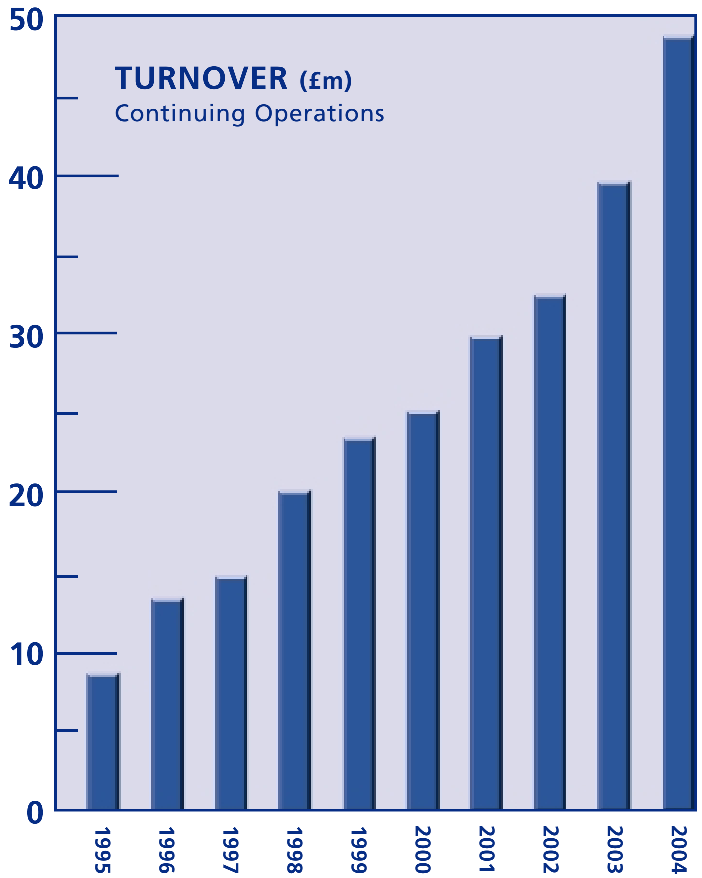
annual report and accounts **2004**

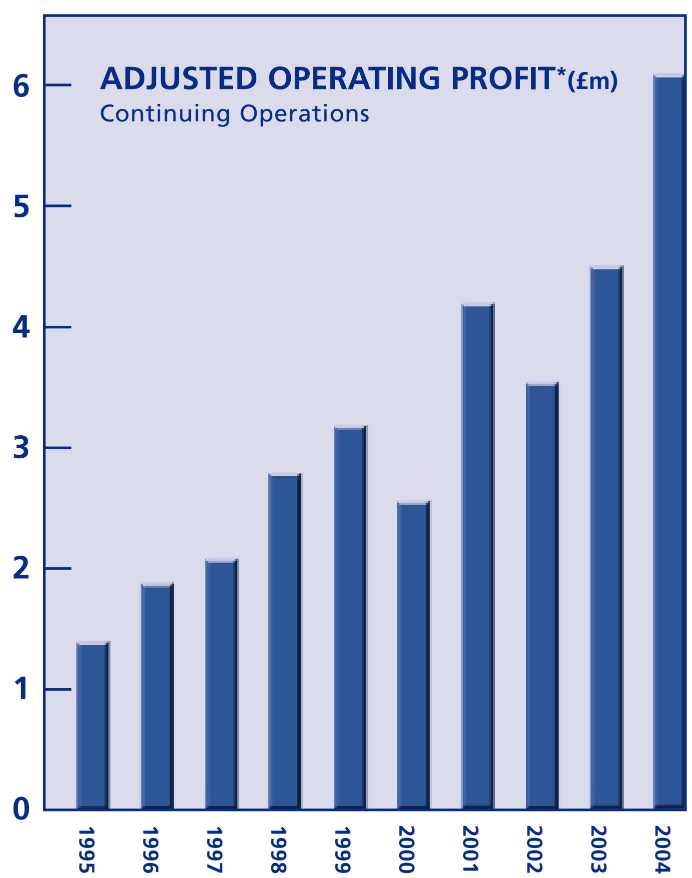
Contents

FINANCIAL HIGHLIGHTS

	2004 £ million	2003 £ million	% increase
TURNOVER	48.7	39.6	23%
ADJUSTED OPERATING PROFIT (before goodwill amortisation and exceptional item)	6.1	4.5	35%
Goodwill amortisation	(0.3)	(0.2)	
Exceptional item	(0.3)	–	
OPERATING PROFIT	5.5	4.3	29%
Interest payable	(0.8)	(0.8)	
PROFIT BEFORE TAX	4.7	3.5	34%
	Pence	Pence	
ADJUSTED EARNINGS PER SHARE*	12.5	9.5	32%
BASIC EARNINGS PER SHARE	10.8	8.8	23%
DIVIDEND PER SHARE	4.3	4.0	8%

*see note 7 to the accounts





* Before goodwill amortisation, and exceptional items in 2000 (£781,000) and 2004 (£255,000)

THE BOARD

John Laycock (56) Executive Chairman

John became Chairman in April 1997, having joined Brandon Hire plc as Chief Executive in 1994. Prior to joining Brandon Hire plc, he had founded Jay Fasteners in 1975 which he subsequently sold in 1989. He is Chairman and Chief Executive of John Laycock Ltd.

Charles Skinner (44) Chief Executive

Charles became Chief Executive in April 1997, having joined the Board as a Non-Executive Director in 1994. He was previously Editor of Management Today, prior to which he worked at 3i Corporate Finance and S G Warburg. He is Non-Executive Chairman of Spring & Greene Ltd.

Chris Sims FCA (48) Finance Director & Company Secretary

Chris was appointed Finance Director in February 1999. He qualified with Touche Ross and subsequently worked in the construction sector before his appointment as Finance Director of Bakers Dolphin, the UK's largest independent travel agency. He is a Non-Executive Director of Bakers Coaches Ltd and is on the Board of Hire Association Europe Ltd.

Brian Nathan (65) Non-Executive Director*

Brian became Deputy Chairman in April 1997, having been Chairman since he co-founded the company. He has over 30 years' experience in the hire industry.

Trevor Smallwood OBE DL (57) Independent Non-Executive Director*

Trevor was appointed in September 2004. He was the Executive Chairman of FirstGroup plc until 1999, and was awarded the OBE for services to public transport in 1995. He is currently a Non-Executive Director of Bristol Water Group plc and UKRD Group Ltd and is also Chairman of Greater Bristol Foundation and of Catalist Ltd.

Peter McIlwraith FCA (57) Senior Independent Non-Executive Director*

Peter joined the board in November 2001. Until his retirement from the firm in September 2001, he was the Chairman of PricewaterhouseCoopers in the South West and Wales. He is also a Non-Executive Director of Bristol Water Group plc and of Wells Cathedral School Limited, and is Non-Executive Chairman of @Bristol Limited.

*Member of the Remuneration and Audit Committees

WHAT IS BRANDON HIRE?

Brandon Hire operates tool hire and lifting equipment hire branches in England and Wales under the Brandon Tool Hire and Brandon Loadtite banners. Since 1994 the number of branches has increased from 9 to 133.

Equipment for hire ranges from mini-excavators to wallpaper strippers, although the core-products are tools for tradesmen such as drills, concrete mixers and breakers. Brandon Tool Hire supplies seasonal equipment such as portable heaters, air conditioning units and gardening tools. Brandon Tool Hire and Brandon Loadtite both sell related equipment and accessories. All branches have transport for making deliveries.

The focus of all Brandon Hire's business is the reliability and availability of the right equipment for its broad range of customers. This is achieved through well-motivated, resourceful people working with carefully developed management systems.

CORPORATE OBJECTIVES

Brandon Hire's long-term strategic goal is to be the leading tool hire company in the UK, measured by operating profit generated from tool hire activities. Our current corporate objectives are:

- to achieve consistently attractive returns on invested capital so that Brandon Hire is recognised as an excellent investment for shareholders.
- to increase the geographical coverage of our branches so that we can offer a better service to more customers.
- to provide a continuously improving, peerless service to our customers at every stage of a hire transaction from initial contact to invoice payment.
- to develop the skills of our people, to help them achieve their aspirations within the business and to enable them to share in the success of Brandon Hire plc.


Welcome to Brandon Hire
Tool and Equipment Hire
Welcome to the Brandon Loadtite Hire Store
Lifting Equipment Hire
Latest News
New Products
Branch Directory
Lifting Hire Online
Investor Relations

CHAIRMAN'S STATEMENT

Results

I am pleased to report another strong year's trading for your company with record turnover and record profits. Year-on-year, turnover increased by 23% to £48.7m with operating profit before goodwill amortisation (£279,000) and exceptional item (£255,000) increasing 35% to £6.1m. Profit before tax was £4.7m compared to last year's profit before tax of £3.5m. Earnings per share were 12.5p (2003: 9.5p) before goodwill amortisation and exceptional charge and 10.8p (2003: 8.8p) after goodwill amortisation and exceptional item.

These strong results, in a year when we have increased our branch network by over 30%, reflect the excellent performance of our established operations and reinforce our confidence that we have a highly robust business model in place.

Dividends

Your Board is recommending a final dividend of 2.8p per share, making a total for the year of 4.3p per share, an increase of 8% on last year. We remain committed to a progressive dividend policy.

Strategy

Our strategy remains the same as previous years. Our business is the hire of tools and related equipment. We aim to establish market leadership where we operate and to keep increasing the geographical area we cover through both acquisitions and new branches. This year we have sharply increased our coverage to almost all of mainland Britain. Financially, we focus on return on invested capital and particularly on the ratio of hire income to fleet cost. This is the most important financial ratio for assessing hire companies' efficiency and thus their long-term prospects. It is also the key to strong cash flow in a capital-intensive business.

Growth

In 2004 we increased our network by 32 branches through the opening of 12 new branches and 13 acquisitions comprising 20 branches. Having acquired three branches in February 2005, our branch network now totals 133. There continue to be many more opportunities for growth in our core business as we seek to establish market leadership in our less well-established areas; this will involve increasing the branch network further as we believe high density of branch coverage results in better service to customers and higher operating margins. Through our geographical expansion we have become much more attractive to very large customers as they look to reduce the number of their tool hire suppliers across the UK. This has led to an increase in turnover in our established branches, which recorded double-digit organic growth.

During the year, we placed shares representing just under 10 per cent of our share capital, raising £3.4m net of expenses, enabling us to take advantage of the many expansion opportunities available.

Directors

Trevor Smallwood joined the Board as a Non-Executive Director in September. He was previously Executive Chairman of FirstGroup plc and brings a wealth of knowledge to your company, particularly through his experience of high-growth companies in a consolidating market.

Staff

The rate of growth of the company continues to test the resolve, imagination and skills of our people. The response from them has been remarkable at all levels and is the primary driver of the company's current success. Our growth-rate also means that more people join the company and need to find their way around our systems and corporate culture. I am delighted at the speed at which this happens which reflects well on both the existing staff and the new intake. I thank all our people for their performance this year.

Outlook

Turnover in 2005 will show further significant growth due to the full year impact of the expansion activities undertaken in 2004 and as new opportunities for growth are taken. As the recent acquisitions and new branches mature, operating margins can be expected to continue to improve. I am pleased to note that the level of general activity among our customers remains steady. These factors suggest that your company is well capable of profitable growth over the coming year.

John Laycock, Chairman

22 February 2005

Operations

Our business

We operate tool hire and lifting equipment hire branches in mainland Britain under the Brandon Tool Hire and Brandon Loadtite banners. Equipment for hire ranges from mini-excavators to wallpaper strippers, although the core products are tools for tradesmen such as drills, concrete mixers, and breakers. Brandon Tool Hire and Brandon Loadtite both sell related equipment and consumables. All branches have transport for making deliveries.

Trade customers with account facilities provide the majority of our customer base. All our branches service the general public, and we have successfully launched our trade account card during the year. Trade customers represent a huge cross-section of activities ranging from major contractors to councils, industrial concerns and local tradesmen. Our share of the UK tool hire market is estimated to be around 6% and we believe we are one of the four largest tool hirers in the UK.

We operate 133 branches and have grown rapidly from our original base in Bristol. The maps on pages 40 and 41 show the locations of our branches. We have our greatest concentration of branches in Southern England and South Wales and have been steadily strengthening our position in the Midlands in recent years. Over the last year we have established a presence in the North of England and Scotland.

The tool hire market continues to show steady growth, reflecting the continuing trend for businesses to outsource equipment ownership, maintenance and delivery. It is benefiting further from the trend towards outsourcing services, such as facilities maintenance, all of which are significant users of tool hire. Health & Safety regulatory requirements, particularly relating to tool maintenance and storage, have encouraged tool users to hire rather than to own.

Business objectives and performance measurement

Business objectives are set out on page 3. The key financial objective is consistently to achieve attractive returns on invested capital so that Brandon Hire is recognised as an excellent investment for shareholders.

All our branches are measured as individual profit centres with monthly review of their performance. The capital cost of the equipment in each branch is a key element in assessing performance, reflecting the company's focus on return on invested capital. Key internal performance measures also include levels of equipment losses, customer queries and outstanding amounts from debtors.

Performance

2004 was another strong year with turnover increasing by 23% and operating profit before goodwill (£279,000) and exceptional item (£255,000) by 35%. Organic growth for the full year was 12% and was higher in the first half of the year than the second, reflecting the weaker comparator period in 2003.

During the year, we made a total of 13 acquisitions, representing 20 additional branches. Certain of these increased our geographical coverage, such as U-Hire on the Wirral, Merseyside; Hire-It Northern in Bishop Auckland, County Durham; and Yorkshire Tool Hire in Halifax. Others consolidated our position in existing areas, such as the acquisition of the tool hire operations of Anvil Plant in Kent. In September, we acquired the business and certain assets of EMCOR Drake & Scull Group plc ('EMCOR') and its subsidiary Delcommerce (Contract Services) Ltd ('Delco'). This was the largest acquisition of the year with an initial consideration of £3.7m, of which £2.2m is in respect of goodwill. Delco comprised seven branches, two of which were closed on acquisition. As part of the transaction, we signed a four-year sole supply agreement with EMCOR; this agreement is expected to generate around £2m of revenue a year. Further details are disclosed in note 23 to the accounts.

After restructuring costs, acquisitions made during the year contributed a small operating profit before goodwill amortisation. This comparatively poor return on investment reflected that certain of the acquisitions were made for strategic reasons rather than for their ability to contribute to profits immediately.

We also opened 12 new branches, including five Brandon Loadtite branches. The majority of the new branches were in the North of England and Scotland. We now have operations in Manchester, Leeds and Glasgow.

Branches opened in the year made an overall loss in the period in line with expectations. Generally we expect new branches to start operating profitably after they have been open for about 12 months.

The financial impact of acquisitions and new branches partially obscured the underlying increase in operating margins experienced in our established operations. This pattern is expected to continue as we develop the business further in 2005.

Returns to shareholders

Our share price closed the year at 151.5p, having opened the year at 83.5p. Dividend payments made during the year totalled £1.28m, representing 4.1p per ordinary share. Total shareholder return for the year was therefore 86%, compared to the FTSE Small Cap average of 14%.

The book value of the hire fleet at the year-end was £20.4m and its original cost was £32.6m. This generated the large majority of total turnover of £48.7m and operating profit of £5.5m, representing a return on capital invested in hire fleet well ahead of the industry average.

In July, we raised £3.4m net of expenses from a share placing to ensure that we were in a position to take advantage of opportunities for growth. The placing was at £1.20 per share.

Dynamics of the business

Our market was robust during the year, with our customers reporting strong demand for their services. There are several sectors which we serve, such as large-scale building refurbishment projects, which have picked up strongly and can be expected to remain steady for several years.

We believe that our organic growth was comfortably ahead of that achieved in the tool hire market generally. The quality of our customer data has led to a significant improvement in managing our customer relationships, which has become particularly important when dealing with larger customers who are reducing the number of their suppliers.

We have increased our geographic coverage and are now operating in almost all of mainland Britain.

Increased coverage has enabled us to offer our services to many more customers, particularly those who had previously perceived us to be a regional company. It has also resulted in higher turnover from existing customers who had been using alternative suppliers in areas where we had no presence.

We have managed to achieve high levels of growth while maintaining a controlled capital expenditure programme, thus increasing our return on invested capital.

Future expansion

Over the last ten years the company’s turnover has grown at an average rate of 20% a year, and by 23% in 2004. There is the opportunity for the company to grow at a similar rate over the next few years. We have only recently started to develop the business in the North of England, Scotland and East Anglia and there are several areas such as the South East and the East Midlands where our operations have a long way to go before they approach maturity. During the year we have continued to develop our management infrastructure and our IT systems to enable us to expand the business and to maximise the returns that we can generate from the existing business.

We will continue with our existing strategy of strengthening our market position in areas where we operate through a combination of acquisitions and new branches. We are currently in discussion with several potential acquisitions and have identified several areas where branch openings can be well supported by our existing customer base.

Outlook

We continue to see a healthy level of economic activity among our customers. We are confident that our current successful growth will continue unless the UK economy falters significantly.

Charles Skinner, Chief Executive

22 February 2005


welcome to
BRANDON HIRE Plc


BRANDON TOOL HIRE
BRANDON LOADTITE
BRANDON TOOL HIRE


BRANDON TOOL HIRE
BRANDON LOADTITE


BRANDON TOOL HIRE


BRANDON TOOL HIRE
BRANDON
BRISTOL


BRANDON LOADTITE
Lifting Tackle Specialists

Finance

Profit and Loss

The operating profit before goodwill amortisation of £0.3m and exceptional item of £0.3m was £6.1m. The trading operating margin (calculated as operating profit defined above as a percentage of turnover) was 12.5% (2003: 11.3%). The trading operating margin in respect of branches existing at 31 December 2003 was 14.2%, and in respect of acquisitions was 1.9%. The new sites made an overall operating loss.

The operating margin (calculated as operating profit as a percentage of turnover) was 11.3% (2003: 10.8%).

Interest charges are covered 6.8 times by operating profit and the total dividend is covered 2.4 times by profit after taxation.

The effective tax rate of 28% (2003: 31%) is close to the UK corporation tax rate of 30%, reflecting permanent differences in the corporation tax computation.

Exceptional Operating Item

The company has a lease expiring in 2013 on a property formerly occupied by the catering division, which was disposed of in 1998. The property was sub-let until September 2003, since when there has been one short sub-let, and it has since become clear that the property is likely to attract only short-term tenants paying a rent below the passing rent. The Directors therefore consider it appropriate to provide for the outstanding rent assuming an occupancy rate of 40%, at below the passing rent.

As part of the acquisition of Delco, the company has taken on the liability for two premises that were immediately closed on acquisition, as planned. The leases on these two properties both expire in 2007. Given that there has been no firm interest in either property from potential assignees or sub-tenants, the Directors consider that a provision for rent in respect of 60% of the remaining term is appropriate.

The company's agents have endorsed the vacant period assumptions in calculating the provision.

The Directors consider the charge resulting from the above to be material and to arise from the normal activities of the business, and should therefore be disclosed as an exceptional operating item.

Cash flow

The cash flow from operating activities was £9.2m. The principal source of cash inflows is receipts from customers in respect of hire and sales, accounting for 92% of the total receipts in 2004 (2003: 95%). The only other material sources of cash inflow during the year were £3.43m raised from the placing of additional ordinary shares, and £0.49m from the exercise of share options.

Capital expenditure amounted to £9.2m, including £1.4m in respect of new sites. £2.2m was realised from the sale of assets. The net £5.6m expenditure excluding new sites compares with a total depreciation charge of £4.2m, of which £0.1m is in respect of assets at new sites, and £0.3m is in respect of assets from acquisitions.

Net investment of £3.9m in hire equipment, excluding £1.2m in respect of new sites, compares with £2.8m depreciation on these assets. The net investment exceeded depreciation by £0.4m because of the need to invest in additional equipment for branches acquired during the year, and by £0.7m in order to satisfy the high level of organic growth in turnover in existing branches.

Current liquidity

At the end of the year net debt amounted to £15.91m (2003: £11.72m) and gearing was 75% (2003: 77 %). In July, there was a placing of just under 10% of the issued ordinary share capital for cash, realising £3.43m after expenses.

There is no marked seasonality of borrowings; the peak level of borrowings was £16.5m at the end of November 2004.

Bank borrowings comprise overdraft and loan facilities. We have an overdraft facility of £5m and a term loan facility of £20m, which together with the equity raised provide significant funds for expansion. The overdraft and that part of the loan facility in excess of £7m are at variable rates of interest with margin of 0.75-1% over bank base rate. In respect of £7m of the loan facility, the company has entered into two extendable interest rate swap agreements with Royal Bank of Scotland plc. £3m is borrowed subject to a swap rate of 5.42% and £4m at a swap rate of 5.59%. Neither agreement involves a payment to or from the company at any stage; however, Royal Bank of Scotland plc has the option

Finance (continued)

to continue these agreements at the same rates for maximum periods until, respectively, 21 August 2006 and 21 August 2011.

The maturity profile of both borrowings and undrawn committed borrowing facilities is set out in note 15 to the accounts.

Hire purchase agreements are at variable rates of interest. Most vehicle acquisitions are funded by contract hire agreements.

Capital structure and treasury policy

Financial Instruments

The company's financial instruments comprise borrowings, and various items, such as trade debtors, trade creditors etc, that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the company's operations.

It is, and has been throughout the year, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest Rate Risk

The company finances its operations through a mixture of retained profits, bank borrowings and hire purchase borrowings, as described above.

The Board considers that these arrangements provide an appropriate blend of certainty and flexibility in respect of interest rate risk. At the end of the year, 44% of the gross borrowings were at fixed rates and 56% at variable rates.

Liquidity Risk

The company constantly reviews its borrowing requirements to ensure adequate funds are available for ongoing operations and expansion plans. Short-term flexibility is achieved by overdraft facilities.

International Financial Reporting Standards ('IFRS')

The Board recognises the requirement to adopt IFRS in 2005 and has identified the following key financial areas affected by the change: goodwill, financial instruments, dividends, and share based payments. We are in the process of producing the comparative figures in respect of these areas.

Information technology

We continued to invest in Information Technology during the year, upgrading our hardware systems and implementing new software solutions, particularly on the sales side of the business. IT spend, including communications costs, represented 2.2% of turnover in 2004 (2003: 2.1%).

Chris Sims, Finance Director

22 February 2005

CORPORATE AND SOCIAL RESPONSIBILITY

We are committed to being a responsible and proactive member of the wider community. We manage carefully issues relating to employment, health and safety and the environment and are aware of the need to be up to date with current legislation and best practice in all these areas.

People

Brandon Hire plc is committed to providing equal opportunities, regardless of race, creed, colour, sex, disability or orientation.

We apply employment policies which are fair and consistent with our business needs and provide a structure within which our people can develop and achieve their ambitions as our business continues to grow. We review our policies regularly to develop best practice and comply with current employment legislation, for instance in the sphere of work-life balance and ‘family friendly’ rights.

We recognise that the quality, talent and inspiration of our people are key factors in differentiating ourselves from our competitors.

Community

We recognise that we are a part of all the individual local communities we serve, as well as of the wider national community. As such we encourage and support social and charitable initiatives. In 2004 we have allocated £10,000 to a Charity Fund managed by three staff members. Funds are allocated to local charities according to requests from staff across the company. We also sponsor staff fundraising efforts for national initiatives such as the Children in Need appeal.

BRISTOL

Environment

Brandon Hire Depots operate in accordance with the Company’s Environmental Policy. The Policy applies to all of our operations and administrative functions. We recognise that our operations can result in emissions to air and water and the generation of waste. It is our aim to reduce the environmental impacts of our business and to operate in an environmentally responsible manner.

The Company and its employees undertake to act whenever necessary to meet the standards of current environmental legislation and continues to review its policies, systems and services to this end.

All waste generated is properly disposed of in accordance with current legislation and waste paper is recycled.

Health and Safety

The company’s policy is that operations are executed at all times in such a way as to ensure, so far as reasonably practicable, the Health, Safety and Welfare of all our employees and all other persons who may be affected by our operations.

We are committed to the prevention of accidents and dangerous occurrences, the promotion of occupational health and hygiene, and the control of hazardous situations.

We continually promote Health and Safety issues and provide information and instruction so that as far as possible that employees are fully competent in their tasks.

The company is a member of the British Safety Council, Royal Society for the Prevention of Accidents, and is a certificated member of the Hire Association of Europe Safehire scheme.

Principles

The company supports the principles of corporate governance contained in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority (the 2003 FRC Code) and for which the Board is accountable to shareholders.

Throughout the year ended 31 December 2004, the company has been in compliance with the Code provisions set out in section 1 of the 2003 Code except for the following matters: the Board considers that any appointment to the Board is a matter for the whole Board and therefore a Nominations Committee is not appropriate; and for part of the year the Board included less than two Non-Executive Directors deemed to be independent under the provisions of the Code. Peter McIlwraith and Trevor Smallwood are independent, there being no circumstances or relationships with the company to suggest otherwise.

The company has applied the Principles of Good Governance set out in section 1 of the Combined Code, including both the main Principles and the Supporting Principles, by complying with the 2003 FRC Code as reported above. Further explanation of how the Principles and the Supporting Principles have been applied is set out below and, in connection with the Directors' remuneration, in the Directors' remuneration report.

Directors

The Board sets strategy, and monitors financial performance, key operational issues and potential acquisitions. The Board decides on, and approves funding for, major acquisitions. The Board will also decide on major financing issues, such as share placings and bank finance, and approves annual and interim results. Briefing papers are sent to all Directors in advance of Board meetings.

There are two Board standing committees: Audit and Remuneration. Given the size of the company and the balanced composition of the Board, the Directors consider that it is inappropriate to establish a Nominations Committee.

During the year ended 31 December 2004, the Board met twelve times, the Audit Committee three times, and the Remuneration Committee as required. All members attended all relevant meetings, except Peter McIlwraith did not attend the July Board meeting.

The roles of the Chairman and the Chief Executive are separately held and there is a clear division of responsibilities between each position. With effect from October 2004, Peter McIlwraith is the senior independent Non-Executive Director.

The terms and conditions of Non-Executive Directors are available for inspection at the company's registered office during normal business hours and at the Annual General Meeting.

One-third of the Directors submit themselves for re-election each year at the Annual General Meeting in accordance with the Articles of Association, and each Director seeks re-election triennially. New Directors appointed during any year, and Non-Executive Directors who are not independent, seek re-appointment at the next Annual General Meeting.

Richard Johnson, a Non-Executive Director, retired from the Board on 20 April. Trevor Smallwood was appointed as a Non-Executive Director on 1 September and, in accordance with the Articles, retires at the forthcoming Annual General Meeting, and offers himself for re-election. The Board considered that it would be unnecessary to appoint a search consultancy or to advertise the position as, having reviewed the skills required for the appointment, it was clear that Trevor's experience provided the necessary qualities.

All Directors have access to the advice of the Company Secretary who ensures that proper Board procedures are followed and advises the Board on corporate governance matters. The appointment and removal of the Company Secretary are matters for the Board as a whole. All Directors have the right to seek external professional advice in the furtherance of their duties at the expense of the company.

The Board has evaluated its performance, the performance of its committees, and of the Directors, during the year by self appraisal using detailed performance evaluation checklists.

Relations with shareholders and investors

Charles Skinner and Chris Sims made presentations of annual and interim results to investors at the relevant times. They made a separate presentation at the time of the share placing.

The company's website – www.brandonhire.co.uk - provides full information on the company, its products and branches; and financial information and presentations in order to provide information for shareholders and others interested in Brandon Hire plc as an investment opportunity.

The Executive Directors report on investor relations at each Board meeting in order to ensure that all Directors are aware of the views of shareholders and investors.

Internal Control

The Board is ultimately responsible for the company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. Following publication of guidance for Directors on internal control 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance), the Board confirms that there is an ongoing process that has been in place for the year under review and up to the date of approval of the annual report and accounts for identifying, evaluating and managing the significant risks faced by the company, and that this process is reviewed regularly by the Board. The Board has reviewed the significant risks affecting the business and has reviewed the effectiveness of the system of internal control and the policies and procedures by which these risks are managed.

The processes used by the Board to review the effectiveness of the system of internal control include the following:

Executive Directors consider key performance indicators for the company and for each branch such as: profitability; results of asset counts; and the level of sales credits, which are viewed as the principal indicators that adequate controls are in place locally. Significant variances to expectation are investigated thoroughly. The Internal Audit department provides back-up procedures to review variances and control procedures locally. The Chief Executive reports to the Board on significant changes in the business and the external environment which affect significant risks. The Finance Director provides the Board with monthly information including key performance and risk indicators.

Audit Committee and Auditors

The committee comprises Peter McIlwraith, Chairman with effect from October 2004, and two Non-Executive Directors: Brian Nathan and Trevor Smallwood. Peter McIlwraith was a senior partner in PricewaterhouseCoopers LLP until his retirement from the firm in 2001 and therefore has relevant experience. Brian Nathan has served on the Board for more than nine years and therefore is deemed not to be independent under the provisions of the Combined Code; however the Board considers that much experience and understanding of the company would be lost if he was not on the committee. Other Board members attend Committee meetings at the invitation of the Committee Chairman.

The terms of reference of the Audit Committee are available on the company's website – www.brandonhire.co.uk. The Committee is responsible for monitoring the effectiveness of internal controls, reviewing the external audit process, and considering any major accounting issues.

The Committee receives reports from the Internal Audit team and from the Health & Safety Officer during the year and, using these reports and other enquiries made as required, considers the effectiveness of the Internal Audit and Health & Safety functions.

There are two meetings a year attended by the external auditors. There is one meeting to review the audit plan, and a further meeting at the completion of the final audit, when the external auditors present their findings. Issues raised by the meeting considering Internal Audit and Health & Safety may be followed up at these two meetings.

The Committee considers the performance and objectivity of the company's external auditors, PricewaterhouseCoopers LLP ('PwC') and reviews the scope of their work. External auditors are not used on assignments that may prejudice their objectivity and independence. During the year, the only non-audit work carried out by PwC was tax compliance. Due to the routine nature of this work, the Committee considers that it does not prejudice PwC's objectivity or independence.

DIRECTORS' REMUNERATION REPORT

This report sets out the remuneration policy operated by the company in respect of the Executive Directors, together with disclosures on Directors' remuneration required by the Directors' Remuneration Report Regulations 2002. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting.

The Act requires the auditors to report to the company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts have been prepared properly 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.

INFORMATION NOT SUBJECT TO AUDIT

Remuneration committee

The Remuneration Committee is responsible for developing policy on remuneration for Executive Directors and for determining their specific remuneration packages.

The members of the Committee are Peter McIlwraith, Brian Nathan and Trevor Smallwood, who was appointed to the Committee with effect from 1 September 2004. Brian Nathan chairs the Committee. Because Brian Nathan has served on the Board for more than nine years, he is deemed not to be independent under the provisions of the Code; however the Board considers that much experience and understanding of the company would be lost if he was not on the Committee. Richard Johnson was also a member of the Committee during the period in 2004 when the Committee was considering Directors' remuneration for 2004. The Committee consults John Laycock (Chairman) about its proposals and has access to professional advice from outside the company. During the year, the Committee appointed Halliwell Consulting ('Halliwell') to provide advice on structuring Directors' remuneration packages. Halliwell provided no other services to the company.

The Remuneration Committee is formally constituted with written Terms of Reference, which are available on the company's website – www.brandonhire.co.uk

Remuneration Policy for the Executive Directors

The components of Executive Directors' remuneration packages as determined by the Remuneration Committee are designed to attract and retain talented individuals who are needed to execute the company's business strategy; motivate and encourage superior performance in terms of delivering value for shareholders and to align rewards with the interests of shareholders. The Remuneration Committee will continue to review the policy on an annual basis so that it is in line with the company's objectives and shareholders' interests.

There are five main elements of the remuneration package for Executive Directors:

- basic annual salary
- performance-related annual bonuses which cannot exceed more than 50% of basic salary
- share option and Long-Term Incentive Plan (LTIP) incentives ('share incentive schemes')
- pension arrangements
- benefits-in-kind

The Remuneration Committee considers that a substantial proportion of the remuneration of Executive Directors should be performance related. As described below, Executive Directors may earn annual bonus payments of up to 50% of their basic salary together with the benefits of participation in share incentive schemes. However the real value received by the Executive Directors under the share incentive schemes will be dependent upon the degree to which the associated stringent performance conditions have been satisfied at the end of the three-year performance period and the share price of the company at this time.

Executive Directors may accept appointments outside the company provided that the Chairman's permission is sought. Executive Directors retain earnings from Non-Executive Directorships held. Chris Sims is Non-Executive Director of Bakers Coaches Ltd and received fees of £1,250 during the

year. Charles Skinner is Non-Executive Chairman of Spring & Greene Ltd and received fees of £6,000 during the year.

Basic salary

An Executive Director's basic salary is reviewed by the Committee at the beginning of each year and when an individual changes responsibility. In deciding appropriate levels, the Committee considers:-

- objective research from Halliwell based on a review of the remuneration in comparator companies
- the performance of the individual Executive Directors
- the individual Executive Director's experience and responsibilities
- pay and conditions throughout the company

Benefits-in-kind

The Executive Directors receive certain benefits-in-kind, namely a car and private medical insurance. Chris Sims has elected not to have a company car and receives additional salary in lieu.

Performance-related annual bonus

The Committee establishes the objectives to be met for each financial year in respect of annual bonus. The maximum bonus potential available for the Executive Directors was 50% of basic salary. The Committee believes that annual bonus payments should be related to relatively short-term targets and has therefore identified Earnings per Share before goodwill amortisation and after charging any bonus (adjusted EPS) as the most appropriate measure of performance. The adjusted EPS target for 2004 ranged from 9.5p (zero bonus) to 11.0p (maximum bonus) with the amount of bonus scaled depending on the level achieved.

Long Term Incentive Plan ('LTIP')

During the year, following approval at the Annual General Meeting, the company established a LTIP. The company believes that the LTIP is closely aligned to the company's business strategy and the delivery of performance by Executive Directors. The LTIP is designed to lock in Executive Directors and to motivate them through the opportunity to earn significant financial rewards on the achievement of demanding performance targets. Awards under the LTIP are delivered in the form of conditional share awards which will be released in three years dependent on continued employment and the satisfaction of demanding performance targets. The principal provisions of the scheme cannot be altered to the advantage of the participants without shareholders' approval. Awards under the LTIP are not pensionable.

The maximum value of any award under the LTIP is 300% of salary for Charles Skinner and 150% of salary for Chris Sims for 2004 and a maximum annual award thereafter of 100% of salary for each. Awards will not vest unless the predetermined performance criteria are satisfied over a three-year period.

The principal performance target is the company's total shareholder return (TSR) over the three year performance period relative to a comparator group comprising the FTSE All Share Support Services Index at the date of grant of the awards. Release of any award is dependent on achieving basic earnings per share (EPS) growth of at least 5% greater than the movement in the Retail Price Index over the relevant three-year period. The Committee believes TSR is the most appropriate measure as it closely allies the financial interests of Executive Directors with the interests of shareholders, and the EPS underpin ensures that there has been above inflation improvement in the company's performance over the relevant period.

The percentage of the awards that will be released depends upon the company's TSR performance over the relevant period when measured against the TSR performance of the comparator group. The following table sets out the levels of release:

TSR PERFORMANCE AGAINST THE COMPARATOR GROUP	PERCENTAGE OF AWARD RELEASED
Below Median	0%
Median (50th percentile)	25%
Upper Quartile (75th percentile)	75%
Upper Decile	100%

Share options

During the year, following approval at the Annual General Meeting, the company established a new share option scheme. The reason for the new scheme was to update the rules, in particular making the grant of options subject to performance criteria. A key element of the company's growth strategy relies on the retention of high quality senior management, and it is considered that the share option scheme will assist in this aim. The Committee has responsibility for supervising the scheme and the grant of options under its terms. Following the introduction of the LTIP during the year, it is company policy that Executive Directors should not participate in the share option scheme.

The Executive Directors had options granted to them under the terms of the previous share option scheme. In line with market practice when the scheme was established, the exercise of options granted under this scheme is not dependent on performance criteria. Following approval of the new share option scheme, there will be no further options granted under the previous scheme, although existing options granted will continue until the earlier of their exercise or their expiry date.

The exercise price of the options granted under the above schemes is equal to the market value of the company's shares when the options were granted. Eligible employees (including Executive Directors) may participate in the company's Savings Related Share Option Scheme under which options may be granted at a maximum discount of 20% of the market value.

Performance Graph

The following graph compares the Total Shareholder Return of Brandon Hire plc over the last five years with that of the FTSE Small Cap (excluding Investment Trusts). This comparator group was considered to be the most appropriate benchmark for comparison purposes.

TSR is defined as the return shareholders would receive assuming they hold a notional number of shares and receive dividends on those shares over a period of time. It measures the growth in the company's share price together with the value of dividends paid, assuming the dividends were re-invested into the company's shares.

Pensions

The company makes payments to defined contribution schemes of Executive Directors' choice. Under the terms of their contracts, the annual contribution entitlement is £15,000 for Charles Skinner and £16,000 for Chris Sims.

Directors' contracts

In line with company policy, Charles Skinner and Chris Sims, Executive Directors, have contracts with an indefinite term providing for six months' notice, extending to twelve months in the circumstances of a change in control of the company.

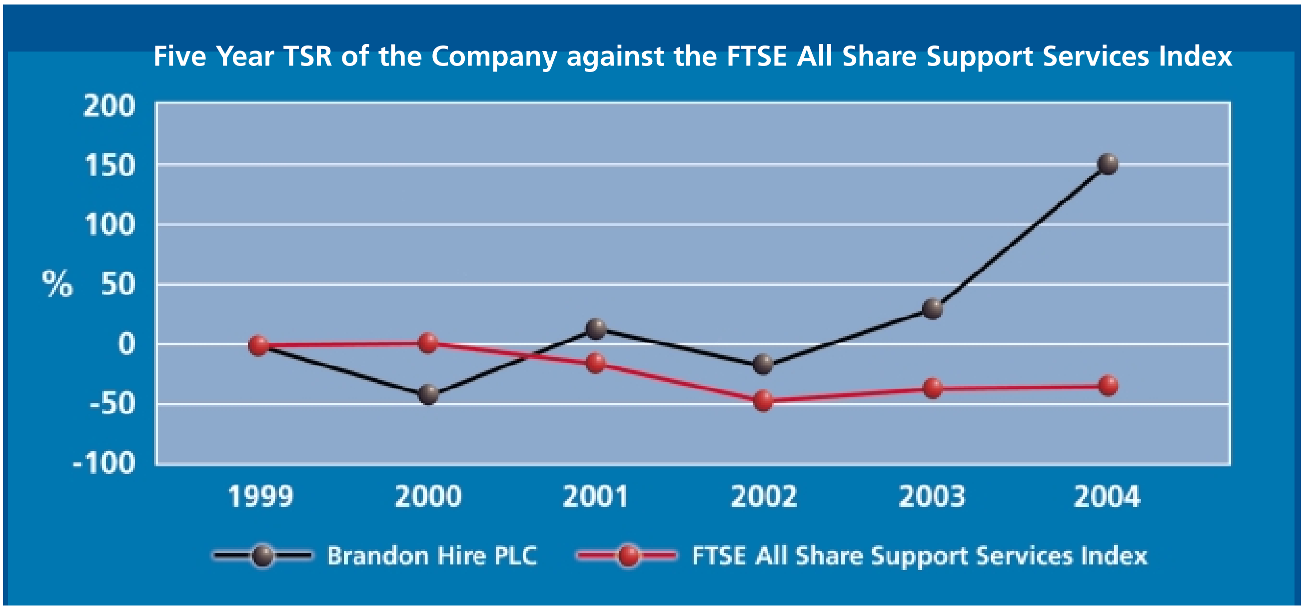
Brian Nathan, Trevor Smallwood, and Peter McIlwraith, who are proposed for re-election, are Non-Executive Directors and do not have service contracts. John Laycock has specific terms of engagement under the terms of a contract with John Laycock Ltd.

Non-Executive Directors

All Non-Executive Directors have specific terms of engagement and their remuneration is determined by the Board based on comparisons with fees paid to Non-Executives of other companies. The fees are inclusive of duties performed in respect of the Audit and Remuneration Committees. Non-Executive Directors cannot participate in any of the company's share incentive schemes and have no pension entitlement.

Signed on behalf of the Board

Brian Nathan
Chairman, Remuneration Committee
22 February 2005



INFORMATION SUBJECT TO AUDIT

REMUNERATION

a AGGREGATE DIRECTORS' REMUNERATION

The total amounts for directors' remuneration were as follows:

	2004 **£000**	2003 £000
Salaries, fees and benefits	603	382
Payments for individual pension arrangements	31	29
Gains on exercise of share options (Charles Skinner £91,000, Chris Sims £91,000)	182	—
	816	411

b DIRECTORS' EMOLUMENTS

	2004						2003		
	Salary & fees £'000	**Benefits** £'000**	**Performance Bonuses £'000**	**Total emoluments £'000**	**Pension Contributions £'000**	**Total £'000**	Total emoluments £'000	Pension Contributions £'000	Total £'000
John Laycock*	41	12	—	53	—	53	53	—	53
Charles Skinner	215	13	110	338	15	353	190	15	205
Chris Sims	108	1	55	164	16	180	103	14	117
Brian Nathan	18	—	—	18	—	18	12	—	12
Richard Johnson	6	—	—	6	—	6	12	—	12
Peter McIlwraith	18	—	—	18	—	18	12	—	12
Trevor Smallwood	6	—	—	6	—	6	—	—	—
	412	26	165	603	31	634	382	29	411

* payable to John Laycock Ltd

** Benefits comprise company car and medical insurance.

INFORMATION SUBJECT TO AUDIT (continued)

DIRECTORS' SHARE OPTIONS AND INTERESTS IN CONDITIONAL SHARES AWARDED UNDER THE LONG TERM INCENTIVE PLAN ('LTIP')

Aggregate remuneration disclosed above does not include any amounts for the value of conditional shares awarded under the LTIP, or options to acquire shares in the company granted to, or held by, the Directors. Details of options granted by the Executive Share Option Scheme (Options) and the Savings Related Share Option Scheme (Sharesave) held by Directors who served during the year are as follows:

	As at 1 January	Granted	Exercised	As at 31 December	Exercise Price pence	Date from which exercisable	Expiry date	Scheme
Charles Skinner	150,000	—	(150,000)	—	41.5	16 Oct 2003	—	Options
	100,000	—	—	100,000	64.5	2 Oct 2004	2 Oct 2011	Options
	14,949	—	(14,949)	—	64.8	1 Dec 2004	—	Sharesave
Chris Sims	150,000	—	(150,000)	—	41.5	16 Oct 2003	—	Options
	100,000	—	—	100,000	64.5	2 Oct 2004	2 Oct 2011	Options
	14,949	—	(14,949)	—	64.8	1 Dec 2004	—	Sharesave

Options granted under the existing share option scheme are not subject to performance criteria, in line with market practice when the scheme was first put into place. There has been no variation to the terms and conditions for share options during the year.

The market price of the ordinary shares at 31 December 2004 was 151.5p and the range during the year was 85.5p to 156p.

There were no interests in conditional shares awards under the LTIP on 1 January 2004. The following represents the interests awarded during the year and outstanding as at 31 December 2004:

	Value of Shares conditionally awarded on 20 April 2004[1]	Value of Shares conditionally awarded during the year as a % of Salary	Number of Shares conditionally awarded during the year	Date of the end of the Holding Period when Shares may be released
Charles Skinner	£660,000	300%	578,947	20 April 2007
Chris Sims	£165,000	150%	144,736	20 April 2007

[1] Value based on the average of the closing share prices of the company over the three days period prior to 20 April 2004 of £1.14

The principal performance target is the company's total shareholder return (TSR) over the three year performance period relative to a comparator group comprising the FTSE All Share Support Services Index at the date of grant of the awards. Release of any award is dependent on achieving basic earnings per share (EPS) growth of at least 5% greater than the movement in the Retail Price Index over the relevant three-year period. The Committee believes TSR is the most appropriate measure as it closely allies the financial interests of Executive Directors with the interests of shareholders, and the EPS underpin ensures that there has been above inflation improvement in the company's performance over the relevant period.

All options and interests in conditional shares were granted at nil cost.

DIRECTORS' INTERESTS

The beneficial interests of the Directors who were in office during the year ended 31 December 2004 are as follows:

	2004 Shares at 10p	2003 Shares at 10p
John Laycock	8,000,000	9,000,000
Charles Skinner	353,912	188,963
Chris Sims	186,949	62,000
Brian Nathan	48,500	48,500
Richard Johnson	4,000	15,333

There have been no changes in Directors' interests between the year-end date and the date of this report and accounts.

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2004.

Principal activity and business review

The principal activity of the company is the hire of tools and equipment. A review of the results and future prospects is provided in the Operating and Financial Review ('OFR') on pages 6 to 10. The OFR includes details of future expected developments in the business of the company.

Results and dividends

The financial results for the year are set out on page 22. The Directors recommend a final dividend of 2.8p per ordinary share, which, together with the interim dividend of 1.5p paid on 22 October 2004, makes a total dividend for the year of 4.3p (2003: 4.0p). It is proposed to pay the final dividend on 4 May 2005 to shareholders on the register at 1 April 2005.

Directors

Details of the present Directors are set out on page 2, together with a brief biography of each Director.

Richard Johnson retired as a Director on 20 April 2004.

In accordance with the Articles of Association, Directors who have been elected to the Board since the last Annual General Meeting ('AGM') must be re-elected at the subsequent AGM. Accordingly, Trevor Smallwood, who was appointed as a Director on 1 September 2004, retires at the forthcoming AGM and offers himself for re-election. Also, in accordance with the Articles of Association, any Director who, if he were not to retire and offer himself for re-election until the next AGM in 2006, would fail to have retired and offered himself for re-election for over a three-year period by such date, is required to retire by rotation. Accordingly, John Laycock and Peter McIlwraith retire at the forthcoming AGM and offer themselves for re-election. Furthermore, in accordance with the revised Combined Code on Corporate Governance, Brian Nathan is subject to annual re-election as he is a Non- Executive Director who is deemed not to be independent under the provisions of the Code, having served on the Board for more than nine years. Accordingly, Brian Nathan retires at the forthcoming AGM and offers himself for re-election.

The Directors' interests in the Executive Share Option Scheme, the Long Term Incentive Plan, and Savings Related Share Option Scheme are set out on page 18.

Substantial shareholdings

At 16 February 2005 the company had been notified of the following shareholders, in addition to Directors, who held 3% or more of the ordinary share capital in issue:

	Shares at 10p	% issued capital
Aberforth Partners	4,300,000	12.8%
Gartmore Investment Management	1,727,000	5.1%
Framlington Investment Management	1,419,000	4.2%
Universities Superannuation Scheme	1,384,000	4.1%
Old Mutual Asset Managers	1,012,000	3.0%

Supplier payment policy

It is the company's policy to agree payment terms with suppliers and to adhere to those agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions. Trade creditor days at 31 December 2004 were 59 days (2003: 59 days).

Employment policy

The company makes every reasonable effort to give disabled applicants, and employees who become disabled, opportunities for work, training and career development, commensurate with their abilities. In the recruitment and subsequent career development of employees, consideration is given only to individuals' aptitudes and abilities irrespective of race, gender, marital status or disability.

Employee involvement

By means of formal announcements and informal discussions, the company has a policy of keeping employees informed of all matters that concern them so that the views of employees can be taken into account when making decisions affecting their interests. The involvement of employees in the performance of the company is encouraged through the employee Sharesave Scheme.

Charitable donations

During the year, the company made charitable donations of £10,000 (2003: £1,000) principally to local charities serving the communities in which the company operates. There were no political contributions.

Post Balance Sheet Event

Full disclosure of post balance sheet events is set out in note 24 to the accounts.

Going concern

After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Auditors

The company's auditors, PricewaterhouseCoopers LLP, have expressed their willingness to remain in office and a resolution that they be re-appointed will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Chris Sims
Company Secretary
22 February 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent and;
- state whether applicable accounting standards have been followed.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A copy of the financial statements of the company is placed on the Brandon Hire plc website (www.brandonhire.co.uk). Executive management is responsible for the integrity of the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Brandon Hire plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 auditable part of the directors' remuneration report 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the operating and financial review, the corporate governance statement, and the statement of corporate and social responsibility.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 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 to form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with 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 auditable part of the directors' remuneration report. 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 company's circumstances, 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 auditable part of the directors' remuneration report 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.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol

22 February 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 Before acquisitions £'000	2004 Acquisitions £'000	2004 Total £'000	2003 Total £'000
Turnover - continuing operations		44,704	3,954	48,658	39,620
Cost of sales		(11,497)	(1,201)	(12,698)	(10,632)
Gross profit		33,207	2,753	35,960	28,988
Distribution costs		(3,982)	(271)	(4,253)	(3,656)
Administrative expenses		(23,645)	(2,540)	(26,185)	(21,051)
Operating profit before goodwill amortisation and exceptional item		5,980	76	6,056	4,476
Goodwill amortisation		(198)	(81)	(279)	(195)
Exceptional item	2	(202)	(53)	(255)	—
Operating profit/(loss) - continuing operations		5,580	(58)	5,522	4,281
Interest payable	3			(808)	(780)
Profit on ordinary activities before taxation	4			4,714	3,501
Tax on profit on ordinary activities	5			(1,307)	(1,085)
Profit on ordinary activities after taxation				3,407	2,416
Dividends	6			(1,441)	(1,157)
Retained profit for the financial year	19			1,966	1,259

	Note	2004 pence	2003 pence
Earnings per share	7		
Basic earnings per share		10.8	8.8
Diluted earnings per share		10.5	8.6
Adjusted earnings per share before goodwill amortisation and exceptional item		12.5	9.5

Note of Historical profits and losses

A note of historical profits and losses is not presented as there is no material difference between the profits of the company as shown in the profit and loss account and the profits on a historical basis in either year.

There are no recognised gains or losses other than the retained profit for the year

BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	9	6,693	3,158
Tangible assets	10	26,039	19,051
Investment	11	120	200
		32,852	22,409
Current assets			
Stocks	12	2,636	2,379
Debtors	13	13,208	10,125
Cash at bank and in hand		108	63
		15,952	12,567
Creditors			
Amounts falling due within one year	14	10,255	8,131
Net current assets		5,697	4,436
Total assets less current liabilities		38,549	26,845
Creditors			
Amounts falling due after more than one year	14	15,276	10,190
Provisions for liabilities and charges	16	2,031	1,345
Net assets		21,242	15,310
Capital and reserves			
Called up share capital	17	3,351	2,972
Share premium account	18	11,298	7,759
Revaluation reserve	18	313	313
Other capital reserve	18	10	10
Profit and loss account	18	6,270	4,256
Equity shareholders' funds	19	21,242	15,310

Approved by the Board on 22 February 2005
John Laycock, Chairman
Chris Sims, Finance Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Net cash inflow from operating activities	20		9,217		7,086
Returns on investments and servicing of finance					
Bank and loan interest paid		(803)		(678)	
Interest element of finance lease rentals		(5)		(102)	
			(808)		(780)
Taxation paid			(678)		(485)
Capital expenditure					
Payments to acquire tangible fixed assets		(9,222)		(5,335)	
Receipts from sales of tangible fixed assets		2,148		1,904	
Receipts from sale of investment		80		—	
Net cash outflow from capital expenditure			(6,994)		(3,431)
Acquisitions and disposals					
Purchase of businesses	23		(7,568)		(516)
Equity dividends paid			(1,280)		(1,010)
Financing					
Issue of ordinary share capital		4,054		2,200	
Expenses of share issue		(136)		(112)	
New loans received		5,000		—	
Repayments of amounts borrowed	21	—		(567)	
Capital element of finance lease rentals	21	(108)		(2,549)	
Net cash inflow/(outflow) from financing			8,810		(1,028)
Increase/(decrease) in cash in the year	22		699		(164)

ACCOUNTING POLICIES

Basis of financial statements

The financial statements are prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with accounting standards applicable in the United Kingdom. A summary of the principal accounting policies is set out below. All have been applied consistently throughout the year and the preceding year.

Acquisitions and disposals

The results of businesses and subsidiaries acquired or disposed of during the year are included in the profit and loss account from the date of acquisition or up to the date of disposal. Acquisition accounting is used in respect of all acquisitions.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses is capitalised as an intangible asset and amortised through the profit and loss account on a straight line basis over its useful economic life, which is 20 years. Goodwill arising on acquisitions prior to 1 January 1998 remains eliminated against reserves, as permitted by the current accounting standards. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included when determining the profit or loss on disposal.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. The net book value of all previously revalued assets still held at the year-end have been carried forward in accordance with the transitional arrangements under FRS15. Depreciation of tangible fixed assets other than freehold land is provided at rates calculated to write off the cost or valuation of assets over their estimated useful lives. The principal depreciation rates are as follows:

Hire equipment	**12.5% - 25% per annum reducing balance**
Diamond blades	**50% per annum straight line**
Motor vehicles	**25% – 30% per annum reducing balance**
Fixtures & equipment	**10% - 20% per annum straight line**
IT equipment	**20%-33 1/3 % per annum straight line**
Leasehold buildings	**over the terms of the leases**
Freehold buildings	**2% per annum straight line**
Freehold improvements	**over 15 years straight line**

Fixed asset investments

Fixed asset investments are stated at cost less amounts written off.

Impairment of fixed assets

The carrying value of fixed assets, including goodwill, is subject to periodic review and any impairment is charged to the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value, which is based on estimated selling price less additional costs of disposal. Where necessary, provision has been made for slow moving, obsolete and defective stocks.

Taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided on a full provision basis, without discounting, on all timing differences that have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of property revaluation surpluses where there is no commitment to sell the asset.

Finance lease and operating lease agreements

Assets acquired under finance leases are included in the balance sheet and depreciated in accordance with the policies above. The interest element of the rental obligations is charged against profit over the term of the agreement. Outstanding liabilities, net of finance charges, are disclosed as creditors on the balance sheet. Rentals applicable to operating leases, under which substantially all benefits and risks of ownership remain with the lessor, are charged to the profit and loss account over the period of the lease.

Pension costs

The company operates an employees' optional money purchase contracted-in retirement and death benefit scheme. Both employee and employer are required to make contributions that are calculated as a percentage of employees' salaries. The company's contributions are charged against profits in the year in which the contributions are due.

Employee Share Scheme

The cost of awards of conditional rights to employees under the Long term Incentive Plan is recognised over the period in respect of which the related performance criteria are applied.

The impact on recognised gains and losses of an immaterial charge in respect of Executive or SAYE Share option schemes is ignored.

Turnover

Turnover comprises the value of hire income and sales (excluding VAT) of goods and services in the normal course of the business. Hire income is recognised over the period of the hire contract. Revenue from sales of goods and services is recognised on receipt of goods and services by the customer.

Derivatives and other financial instruments

The company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes. For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials arising from these swaps are recognised by adjusting interest payable over the periods of the contracts.

1 SEGMENTAL INFORMATION

No geographical split is given because the value of exports was immaterial during the year.

Net assets employed at the end of the year and at the end of the previous year were solely in respect of the continuing operations of hire and sale of tool and lifting equipment.

2 EXCEPTIONAL OPERATING ITEM

	2004 £'000	2003 £'000
Provision for rents on vacant property	255	—

The company is liable for the rent in respect of one property formerly occupied by the catering division, and two properties formerly occupied by Delco and not occupied by the company since the acquisition of Delco on 1 September 2004. The Directors, having consulted with the company's agents, consider it appropriate to provide for outstanding rent in respect of 60% of the remaining terms of the leases. Full details are disclosed on page 9. The amount is included within administrative expenses in the profit and loss account.

3 INTEREST PAYABLE

	2004 £'000	2003 £'000
Bank interest payable	124	91
Loan interest payable	679	587
Finance lease charges	5	102
	808	780

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £'000	2003 £'000
This is stated after charging/(crediting) the following:		
Depreciation	4,257	3,520
Goodwill amortisation	279	195
Auditors' remuneration for statutory audit services	49	36
Auditors' fees for non audit services - tax compliance	8	8
Other operating lease rentals	3,887	3,282
Net profit on sale/disposal of hire equipment	(354)	(311)
Loss on disposal of other fixed assets	38	104

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000
Current Tax		
UK Corporation tax on profits for the year	845	922
Adjustment in respect of prior years	—	11
Total current tax	845	933
Deferred Tax		
Origination and reversal of timing differences	470	152
Adjustment in respect of prior years	(8)	—
Tax on profit on ordinary activities	1,307	1,085
Reconciliation of current tax charge		
Profit on ordinary activities before tax	4,714	3,501
Tax on profit on ordinary activities at standard rate of tax (30%)	1,414	1,050
(Non taxable income)/non deductible expenditure	(103)	46
Capital allowances in excess of depreciation	(466)	(174)
Adjustment in respect of prior years	—	11
	845	933

Factors affecting future tax charge

The total net capital investments of the company have consistently been at a level such that capital allowances exceed depreciation. It is anticipated that capital allowances will continue to exceed depreciation.

No provision has been made for deferred tax on gains recognised on revaluing properties to their market value as there is no commitment to sell the properties.

6 DIVIDENDS

	2004 £'000	2003 £'000
Interim dividend paid of 1·5p per share (2003: 1·4p)	500	377
Final dividend proposed of 2·8p per share (2003: 2.6p)	941	780
Total dividends for the year of 4.3p per share (2003: 4.0p)	1,441	1,157

7 EARNINGS PER SHARE

Earnings per share of 10.8p (2003: 8.8p) is based on 31,607,356 shares (2003: 27,572,710 shares) being the weighted average number of ordinary shares in issue throughout the year, and £3,407,000 (2003: £2,416,000) being the profit on ordinary activities after taxation. Diluted earnings per share of 10.5p (2003: 8.6p) is based on 32,431,008 shares (2003: 28,003,415 shares) being the weighted average number of ordinary shares adjusted to reflect the dilutive potential ordinary shares relating to shares allotted under employee share schemes where fair value price exceeds the option price.

The reconciliation to adjusted earnings per share is as follows:

	2004		2003	
	£000	Earnings per share pence	£000	Earnings per share pence
Profit on ordinary activities after taxation	3,407	10.8	2,416	8.8
Goodwill amortisation	279	0.9	195	0.7
Exceptional operating item	255	0.8	—	—
Profit for adjusted earnings per share	3,941	12.5	2,611	9.5

The adjusted numbers have been provided in order that the effects of goodwill amortisation and exceptional operating item on reported earnings can be fully appreciated.

8 EMPLOYEES

	2004 £'000	2003 £'000
Staff costs including directors:		
Wages and salaries	13,941	11,427
Social security	1,336	1,053
Other pension costs	218	215
	15,495	12,695

The average number including directors employed by the group during the year:

	Number	Number
Management and administration	146	98
Hire operations	611	558
	757	656

9 INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 January 2004	4,020
Additions (note 23)	3,823
Adjustment in respect of prior year acquisition	(9)
At 31 December 2004	7,834
Amortisation	
At 1 January 2004	862
Charge for the year	279
At 31 December 2004	1,141
Net book value	
At 31 December 2004	6,693
At 31 December 2003	3,158

10 TANGIBLE FIXED ASSETS

	Freehold land & buildings £'000	Short leasehold buildings £'000	Hire equipment £'000	Motor vehicles £'000	Fixtures & equipment £'000	Total £'000
Cost or valuation						
At 1 January 2004	1,814	178	24,856	1,258	5,720	33,826
Additions	246	51	10,776	327	1,677	13,077
Disposals	—	(23)	(3,054)	(316)	(38)	(3,431)
At 31 December 2004	**2,060**	**206**	**32,578**	**1,269**	**7,359**	**43,472**
Depreciation						
At 1 January 2004	289	91	10,329	861	3,205	14,775
Charge for the year	47	35	3,157	146	872	4,257
Disposals	—	(23)	(1,368)	(179)	(29)	(1,599)
At 31 December 2004	**336**	**103**	**12,118**	**828**	**4,048**	**17,433**
Net book value						
At 31 December 2004	**1,724**	**103**	**20,460**	**441**	**3,311**	**26,039**
At 31 December 2003	1,525	87	14,527	397	2,515	19,051

The company has followed the transitional provisions in FRS15, Tangible Fixed Assets, to retain the book value of land and buildings, certain of which were revalued in 1987 on an existing use basis, without updating the valuations.

The depreciation charge for the year includes £69,000 (2003: £100,000) in respect of assets held under finance lease.

Company assets held under finance leases included in motor vehicles and hire equipment:

	2004 £'000	2003 £'000
Cost	**461**	494
Accumulated depreciation	**(246)**	(194)
	215	300

Freehold land and buildings are included at open market valuation as valued by independent chartered surveyors on 31 March 1987. Additions since that date are included at cost. In the light of current market conditions the directors are of the opinion that this valuation remains appropriate. The net book value of land and buildings comprises:

	2004 £'000	2003 £'000
Land and buildings stated:		
At cost	**1,108**	883
At valuation	**719**	729
	1,827	1,612

Land and buildings included in these accounts at a valuation, would have been included on a historical cost basis:

	2004 £'000	2003 £'000
Cost	**562**	562
Accumulated depreciation	**(124)**	(118)
	438	444

11 FIXED ASSET INVESTMENT

Unlisted Investment

The company acquired 5% of the ordinary share capital of F&B Profiles (Holdings) Ltd (F&B) in 1996 for £450,000. In 2000, the value of this holding was written down to £200,000. During 2004, shares representing 2% of the ordinary share capital were sold to F&B for a cash consideration of £80,000 and there is an agreement in place to sell the remaining shares to F&B for £120,000 during 2005. The Directors therefore consider £120,000 is an appropriate carrying value for this investment.

12 STOCKS

	2004 £'000	2003 £'000
Maintenance and consumable stocks	930	776
Goods for resale	1,706	1,603
	2,636	2,379

13 DEBTORS

	2004 £'000	2003 £'000
Trade debtors	11,589	8,614
Other debtors	32	12
Prepayments and accrued income	1,587	1,499
	13,208	10,125

14 CREDITORS

	amounts falling due within one year		amounts falling due after more than one year	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bank overdraft	865	1,519	—	—
Bank loans	—	—	15,000	10,000
Loan notes	22	22	—	—
Trade creditors	5,373	3,676	—	—
Corporation tax	479	312	—	—
Taxation and social security	1,188	963	—	—
Finance lease liabilities	99	108	31	130
Deferred consideration	106	60	245	60
Accruals and deferred income	1,182	691	—	—
Dividends	941	780	—	—
	10,255	8,131	15,276	10,190

15 FINANCIAL INSTRUMENTS

Financial liabilities

The maturity profile of the company's financial liabilities at 31 December 2004 was as follows:

	2004 £'000	2003 £'000
In one year or less, or on demand:		
Bank loans and overdraft	865	1,519
Loan notes	22	22
Vacant property provision	64	28
Deferred consideration	106	60
Finance lease liabilities	99	108
	1,156	1,737
In more than one year but not more than two years:		
Bank loans	15,000	—
Vacant property provision	60	20
Deferred consideration	95	40
Finance lease liabilities	31	99
	15,186	159
In more than two years but not more than five years:		
Bank loans	—	10,000
Vacant property provision	99	25
Deferred consideration	150	20
Finance lease liabilities	—	31
	249	10,076
In more than five years:		
Vacant property provision	74	—
Total	16,665	11,972

Financial assets

	2004 £'000	2003 £'000
Unlisted investment (note 11)	120	200
Cash in hand	108	63
Total	228	263

Details on the objectives, policies and strategies relating to financial instruments are disclosed on pages 9 and 10 and form part of these audited financial statements.

Short term debtors and creditors have been omitted from all disclosures. No interest is receivable in respect of financial assets.

The company's bank overdraft and loan facilities are secured by debentures over the assets of the company. Finance lease liabilities are secured on the assets to which the contracts relate.

The bank loan is at both fixed and variable rates of interest, as set out on page 9. The overdraft and the loan notes are at variable rates of interest, over LIBOR and Royal Bank of Scotland plc base rate respectively. The finance lease liabilities are at variable rates of interest. The weighted average interest rate on the fixed rate bank loan liabilities is 4.8% for a weighted average period of 0.5 years. No interest is paid on other financial liabilities.

The undrawn committed bank facilities available at 31 December 2004 in respect of which all conditions precedent had been met at that date totalled £10.0m all of which expires within one to two years.

15 FINANCIAL INSTRUMENTS continued

Fair values of financial assets and liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the company's financial assets and financial liabilities at 31 December 2004 and 2003. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale, and excludes accrued interest. Where available, market values have been used to determine fair values. Set out below the table is a summary of the methods and assumptions used for each category of financial instrument.

	2004		2003	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Primary financial instruments held				
Short-term borrowings	(865)	(865)	(1,519)	(1,519)
Long-term borrowings	(15,000)	(15,200)	(10,000)	(10,458)
Other financial liabilities	(800)	(800)	(453)	(453)
Unlisted investment	120	120	200	200
Cash at bank and in hand	108	108	63	63
Derivative financial instruments held to manage the interest rate profile				
Interest rate swap	(252)	(252)	(320)	(320)

Changes in the value of the swap as a result of changes in interest rates are not included in the book value of the relevant asset or liability.

Summary of methods and assumptions

Short term deposits and borrowings	The fair value of short-term deposits, loans and overdrafts approximates to the carrying amount because of the short maturity of these instruments
Interest rate swap	Fair value is based on market price of comparable instruments at the balance sheet date

15 FINANCIAL INSTRUMENTS continued

Hedges

As explained on pages 9 and 10, the company's policy is to hedge interest rate risk using interest swaps.

The table below shows the extent to which the company has off-balance sheet (unrecognised) losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amount of such gains and losses which have been included in the profit and loss account for the year and those gains and losses which are expected to be included in the profit and loss account of subsequent years. The company has no on-balance sheet (deferred) gains or losses.

All the gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions or positions.

	Unrecognised		Total net
	Gains £'000	Losses £'000	gains/losses £'000
Gains and losses on hedges at 1 January 2004			
Arising in previous years included in 2004 income	—	—	—
Gains and losses not included in 2004 income			
Arising before 1 January 2004	—	320	320
Arising in 2004	—	(68)	(68)
Gains and losses on hedges at 31 December 2004	—	252	252
of which:			
Gains and losses expected to be included in 2005 income	—	—	—
Gains and losses expected to be included in 2006 income or later	—	252	252

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax £'000	Vacant property provision £'000	Total £'000
At 1 January 2004	1,272	73	1,345
Paid during the year	—	(31)	(31)
Profit and loss account charge	462	255	717
At 31 December 2004	1,734	297	2,031

The Deferred Tax provision is in respect of accelerated capital allowances and is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which these timing differences reverse.

The vacant property provision has been calculated by estimating dates on which properties will be assigned or subleased and using a discount rate of 6%. It is expected that all of the expenditure relating to this provision will be incurred by 2013.

17 CALLED UP SHARE CAPITAL

	2004 Number	2004 £	2003 Number	2003 £
Authorised ordinary shares of 10p each	40,000,000	4,000,000	40,000,000	4,000,000

	2004 Number	2004 £'000
Fully paid ordinary shares of 10p each:		
At 1 January	29,718,947	2,972
Share placing	2,972,990	297
Share options exercised	818,947	82
At 31 December	33,510,884	3,351

The share placing in July 2004 raised £3.4m additional funding for the company.

The company operates a Long Term Incentive Plan, full details of which are set out on page 18, for Executive Directors only; and an Executive Share Option Scheme, details of which are shown below, for senior employees. The terms of the options depend upon seniority, years of service, and the prevailing share price.

Date granted	Exercisable after	Exercise Price Pence	2004 Number	2003 Number
12 September 1995	12 September 1998	110.0	10,000	50,000
7 October 1997	7 October 2001	127.5	46,666	58,038
28 September 1998	28 September 2002	91.0	100,490	232,639
13 September 1999	13 September 2002	123.5	141,698	161,941
14 March 2000	14 March 2003	84.5	35,502	35,502
16 October 2000	16 October 2003	41.5	15,038	425,289
2 October 2001	2 October 2004	64.5	510,104	639,042
			859,498	1,602,451

The company has a Savings Related Share Option Scheme which is open to all employees. Under this scheme, employees save a regular amount for three years for the right to exercise share options at the end of the period. Outstanding options under the scheme are shown below.

Date granted	Exercisable after	Exercise Price Pence	2004 Number	2003 Number
4 October 2001	1 December 2004	64.8	38,758	164,713
28 March 2003	1 May 2006	44.0	359,936	385,705
			398,694	550,418

18 RESERVES

	Share Premium £'000	Revaluation £'000	Other Capital £'000	Profit & Loss £'000
At 1 January 2004	7,759	313	10	4,256
Shares placed net of costs	3,134	—	—	—
Options exercised	405	—	—	—
Long term incentive plan charge	—	—	—	48
Retained profit for the year	—	—	—	1,966
At 31 December 2004	11,298	313	10	6,270

The cumulative amount of goodwill eliminated against reserves before 1 January 1998 less the goodwill attributable to businesses disposed of subsequently is £686,000.

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £'000	2003 £'000
Profit for the financial year	3,407	2,416
Dividends	(1,441)	(1,157)
	1,966	1,259
Proceeds on issue of shares	3,567	2,154
Cost of issue of shares	(136)	(112)
Exercise of employee share options	487	46
Long term incentive plan charge	48	—
	5,932	3,347
Opening shareholders' funds	15,310	11,963
Closing shareholders' funds	21,242	15,310

20 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £'000	2003 £'000
Operating profit	5,522	4,281
Depreciation charges and goodwill amortisation	4,536	3,715
Profit on sale of tangible fixed assets	(316)	(221)
Long term incentive plan charge	48	—
(Increase) in stocks	(127)	(100)
(Increase) in debtors	(3,083)	(1,278)
Increase in creditors	2,413	657
Increase in provisions	224	32
Net cash inflow from operating activities	9,217	7,086

21 ANALYSIS OF NET DEBT

	Cash £'000	Overdraft £'000	Sub-total £'000	Loan notes £'000	Bank loans £'000	Leasing & Hire Purchase Agreements £'000	Total £'000
At 1 January 2004	63	(1,519)	(1,456)	(22)	(10,000)	(238)	(11,716)
Cash flow	45	654	699	—	(5,000)	108	(4,193)
At 31 December 2004	108	(865)	(757)	(22)	(15,000)	(130)	(15,909)

22 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	2004 £'000	2003 £'000
Increase/(decrease) in cash	699	(164)
(Increase)/decrease in debt and lease finance	(4,892)	3,116
Change in net debt from cashflows and movement in net debt in the year	(4,193)	2,952
Net debt at 1 January	(11,716)	(14,668)
Net debt at 31 December	(15,909)	(11,716)

23 ACQUISITIONS

On 1 September, the business and certain assets of EMCOR Drake & Scull Group plc and its subsidiary Delcommerce (Contract Services) Ltd ('Delco') were acquired for an initial cash consideration of £3,730,000. Under the terms of the sale and purchase agreement in respect of the business of Delco, amounts due to or from the company may arise depending on the level of turnover transacted in the four years to 31 August 2008 with the vendor and associated companies. Under the terms of the agreement contingent consideration may range from a receivable of £2.15m to a payable of £2.2m. The directors estimate on the basis of future expected turnover that a further £300,000 will be paid.

In addition, the following hire businesses were acquired for cash:

on 1 January from Ilford Plant Hire & Sales Ltd
on 1 February from Higgins Hire Centre Ltd
on 1 March from Clements Plant & Tool Hire Ltd
on 1 April from Anvil Plant Hire Ltd
on 1 June from Loos R Us
on 1 July from M.D. Portable Toilets Ltd
on 1 July from Hire-It Northern Ltd
on 1 August from U Hire Ltd
on 1 October from Tool Hire Yorkshire Ltd
on 1 October from Hiramix Ltd
on 1 October from Universal Tool Services Ltd
on 1 November from AM Plant & Tool Hire Ltd

The effect of these transactions are as follows:

i) Delco	Book Value £'000	Revaluation Adjustments £'000	Fair value £'000
Tangible fixed assets	1,660	249	1,909
Stocks	35	(30)	5
Other net (liabilities)/assets	—	—	—
Net assets acquired	1,695	219	1,914
Goodwill			2,168
			4,082
Satisfied by:			
Cash consideration including expenses of acquisition			3,782
Deferred consideration			300
			4,082

The profit after tax for Delco was £380,000 for the period 1 January 2004 to 31 August 2004, and £350,000 for the year ended 31 December 2003. The revaluation adjustments reflect the Directors' assessment of the fair values on acquisition.

ii) Other acquisitions	Book and fair value £'000
Tangible fixed assets	1,946
Stocks	125
Other net (liabilities)/assets	—
Net assets acquired	2,071
Goodwill	1,655
	3,726
Satisfied by:	
Cash consideration including expenses of acquisition	3,726

24 POST BALANCE SHEET EVENT

By acquiring the entire issued share capital of Harborough Hire Centre Limited, the tool hire business carried on by that company was taken over on 8 February 2005 for a cash consideration of £985,000.

25 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

(i) Capital commitments
Capital expenditure authorised and contracted for at 31 December 2004 for which no provision has been made in these accounts amounted to £118,000 (2003: £6,000).

(ii) The company has the following annual commitments under non-cancellable operating leases:

	Property leases		Other operating leases	
	2004 **£'000**	2003 £'000	**2004** **£'000**	2003 £'000
Rentals due in next year on operating leases which expire:				
Within one year	**167**	231	**190**	99
Within two to five years	**1,095**	813	**1,364**	1,110
After five years	**1,531**	1,130	**—**	—
	2,793	2,174	**1,554**	1,209

FIVE YEAR RECORD

	2004 **£'000**	2003 £'000	2002 £'000	2001 £'000	2000 £'000
Turnover - continuing operations	**48,658**	39,620	32,937	30,065	25,500
Operating profit:					
before goodwill amortisation and exceptional items	**6,056**	4,476	3,568	4,200	2,590
goodwill amortisation	**(279)**	(195)	(210)	(153)	(155)
exceptional items	**(255)**	—	—	—	(781)
Operating profit - continuing operations	**5,522**	4,281	3,358	4,047	1,654
Amount written off investment	**—**	—	—	—	(250)
Profit on sale of properties	**—**	—	323	—	—
Profit on ordinary activities before interest and taxation	**5,522**	4,281	3,681	4,047	1,404
Interest payable	**(808)**	(780)	(729)	(751)	(880)
Profit on ordinary activities before taxation	**4,714**	3,501	2,952	3,296	524
Tax on profit on ordinary activities	**(1,307)**	(1,085)	(744)	(943)	(220)
Profit on ordinary activities after taxation	**3,407**	2,416	2,208	2,353	304
Dividends	**(1,441)**	(1,157)	(996)	(966)	(939)
Retained profit/(loss)	**1,966**	1,259	1,212	1,387	(635)
Shareholders' funds	**21,242**	15,310	11,963	10,693	9,919
Basic earnings per share	**10.8**	8.8	8.2	8.8	1.1
Adjusted earnings per share*	**12.5**	9.5	7.8	9.3	5.6
Dividend per share	**4.8**	4.3	3.7	3.6	3.5

The comparatives for 2000 have not been restated for FRS19 - Deferred Taxation.
* excluding goodwill amortisation, exceptional items, amount written off investment, and profit on sale of properties.

CORPORATE INFORMATION

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Web Address
www.brandonhire.co.uk

Registered Company Number
1008351

Financial Calendar:

Announcement of Results
Half Year: September
Full Year: February

Dividend Payments
Final for 2003: May 2004
Interim for 2004: October 2004

Annual General Meeting
April

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Private Shareholders

If you have a query about your holding of Brandon Hire plc shares or need to change your details, for example address or payment of dividend requirements, please contact the Registrars at the address shown.

Website

Further details of the company's activities and products can be seen on its website at www.brandonhire.co.uk. Services available include:

- e-mail alert service
- download company reports
- access press releases
- download investor presentations
- interactive share price charting tool

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BRANCHES **2004**

1970 Feeder Rd

1974 Bath

1979 Avonmouth
Swindon

1981 Fishponds

1982 Weston-super-Mare

1983 Portsmouth

1987 Cheltenham

1989 Reading

1994 Bridgend
Bute St, Cardiff
Cwmbran
Merthyr Tydfil
Newport
Newport Rd, Cardiff
Port Talbot
Winchester

1995 Birch Grove, Cardiff
Bridgwater
Carmarthen
Gloucester
Gloucester Rd, Bristol
Hereford
Highbridge
Hotwells Rd, Bristol
Ledbury
Malvern
Pontypridd
Ross-on-Wye
Southampton
Swansea
Taunton
Trowbridge
Worcester

1996 Bournemouth
Christchurch
Poole
Salisbury
Wimborne

1997 Andover
Dudley
Tipton
Weymouth

1998 Aldershot
Aston
Banstead
Blandford Forum
Bognor Regis
Exeter
Guildford
Oxford
Plymouth
Plympton
Sparkhill
Truro
Wallington
West Wickham
Weybridge
Yeovil

1999 Caerphilly
Evesham
Maida Vale
Reigate
Surbiton
Torquay
Wandsworth
West Hampstead

2000 Barnstaple

2001 Bodmin
Brighton
Coventry
Mansfield
Nottingham
Redruth
St Austell
Tavistock

2002 Ashford
Basingstoke
Braintree
Dover
Loadtite Avonmouth
Loadtite Rainham
Loadtite Cardiff
Loadtite Hayes
Loadtite Servicing
Maidstone
Narberth
Northampton
Ramsgate
Saltash
Sittingbourne
Willesden
Wolverhampton
Worthing

2003 Loadtite Dudley
Loadtite Plympton
Hayes
Alfreton

1974

1984

1994

2004

2004
- Bishop Auckland
- Bishops Stortford
- Burton
- Bury St. Edmunds
- Canning Town
- Chandlers Ford
- Chelmsford
- Clayton, Manchester
- Crayford
- Eastbourne
- Ellesmere Port
- Gillingham
- Glasgow
- Glastonbury
- Halifax
- King's Cross
- Leeds
- Loadtite Bishop Auckland
- Loadtite Chandlers Ford
- Loadtite Glasgow
- Loadtite Leeds
- Loadtite Trafford Park
- Luton
- Minehead
- Newton Abbot
- Rainham
- Rugby
- Stockport
- Trafford Park
- Tonbridge
- Totnes
- Wallasey

2005
- Kettering
- Leicester
- Market Harborough

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