BRANDON HIRE PLC

CLEANING & DUST CONTROL

BREAKING

CONCRETING

CUTTING & GRINDING

DECORATING

DRILLING

POWER SUPPLY & LIGHTING

FASTENING & FIXING

COMPACTION & GROUNDWORK

COOLING

HEATING

VENTILATING

LANDSCAPE & GARDENING

PLUMBING

PUMPING & WELDING

SANDING & WOODWORKING

SURFACE PREPARATION

LIFTING & MOVING

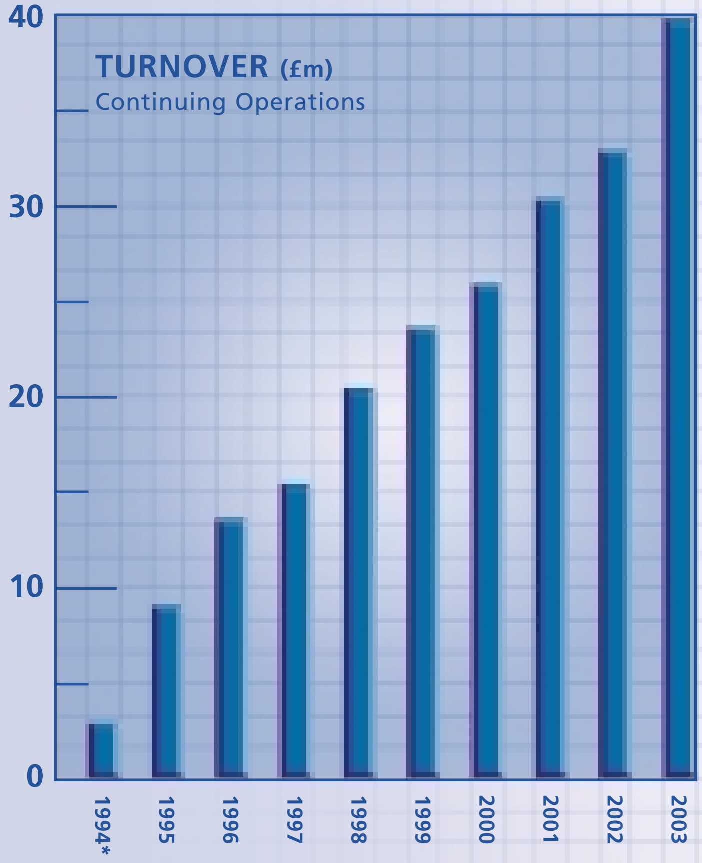
annual report and accounts **2003**

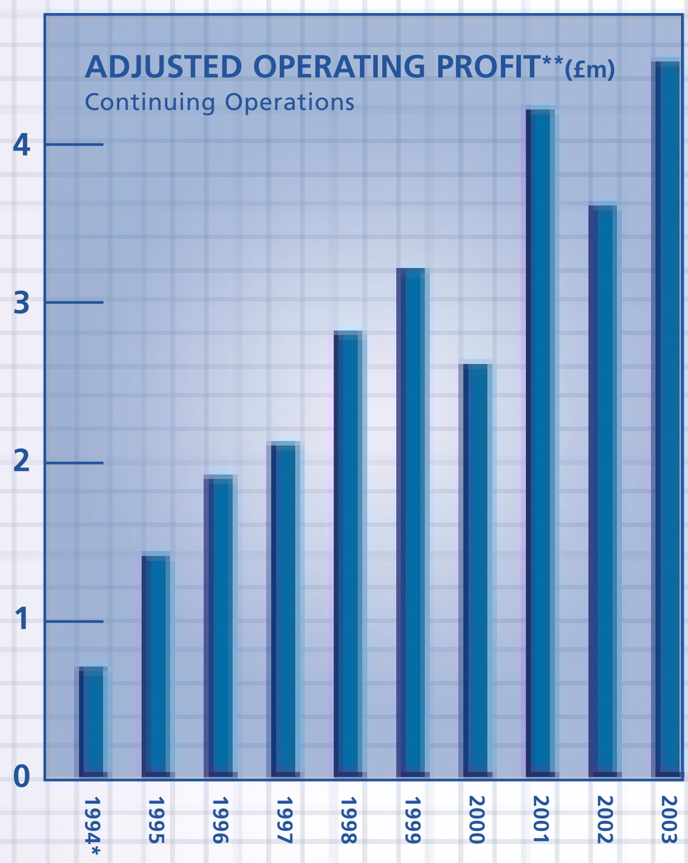
annual report and accounts **2003**

FINANCIAL HIGHLIGHTS

	2003 £ million	2002 £ million	% increase
TURNOVER	39.6	32.9	20%
ADJUSTED OPERATING PROFIT (before goodwill amortisation)	4.5	3.6	25%
Goodwill amortisation	(0.2)	(0.2)	
OPERATING PROFIT	4.3	3.4	
Profit on sale of properties	—	0.3	
Interest payable	(0.8)	(0.7)	
PROFIT BEFORE TAX	3.5	3.0	17%
	Pence	Pence	
ADJUSTED EARNINGS PER SHARE*	9.5	7.8	22%
BASIC EARNINGS PER SHARE	8.8	8.2	7%
DIVIDEND PER SHARE	4.0	3.7	8%

*see note 6 to the accounts





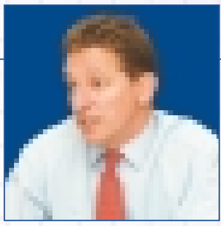
* 8m period ** Before goodwill amortisation and exceptional costs

The directors consider that adjusted operating profit is the most meaningful measure of underlying business performance

THE BOARD

John Laycock (55) Chairman

John Laycock 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. His involvement in Brandon Hire plc is two days per week.



Charles Skinner (43) Chief Executive

Charles Skinner 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 Freedom brewery group.

Chris Sims FCA, ATII (47) Finance Director & Company Secretary

Chris Sims 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.

Brian Nathan (64) Non-Executive Independent Director*

Brian Nathan became Deputy Chairman in April 1997, having been Chairman since 1971, when he co-founded the company. He has over 30 years' experience in the hire industry.

Richard Trevor Johnson Non-Executive Independent Director*

Richard Johnson has been a Non-Executive Director since July 1994. He is a former Non-Executive Director of Southmead Health Services NHS Trust and was previously Senior Partner of Burges Salmon, Solicitors. He retires at the forthcoming Annual General Meeting.

Peter McIlwraith FCA (56) Non-Executive Director*

Peter McIlwraith 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 plc and of Wells Cathedral School Limited, and is Non-Executive Chairman of @Bristol Limited.

*Member of the Remuneration and Audit Committees

BRANDON TOOL HIRE

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. Over the last ten years it has increased from 10 branches to over 100 branches.

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 consistently achieve 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.


ACCOUNT
Protect your HIRE...
THEFT
update
BRANDON HOOKS LOADTITE
DIRECTORY
BRANDON LOADTITE
Dust Extraction
TRAINING COURSES

CHAIRMAN'S STATEMENT

Results

I am pleased to report a strong year's trading for your company with record turnover and record profits. Year-on-year, turnover increased by 20% to £39.6m with operating profit before goodwill amortisation increasing 25% to £4.5m. Profit before tax was £3.5m after goodwill amortisation of £195,000 and interest of £780,000. This compares to last year's figure of £2.6m before profit on sale of properties.

Dividends

Your board is recommending a final dividend per share of 2.6p, making a total for the year of 4.0p, an increase of 8% on last year. We are committed to a progressive dividend policy.

Strategy

Our strategy remains the same as in previous years. Our business is the hire of tools and related equipment. We aim to establish market leadership in the geographical areas where we operate and to keep increasing the geographical area we cover through both acquisitions and new branches. 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

Over the last 10 years, turnover from continuing operations has grown at an average of 25% a year. This growth has taken us from being a minor player in our market to one of the four largest. It has been driven by the need to increase our geographical coverage so as to offer an improved service to our customers.

During the year, we placed shares representing an extra 10% of our share capital. This was the first equity raising we had undertaken for five years. There remains much scope for us to continue to expand our business within the UK.

It is our firm intention to maintain our historic rate of growth as long as we can achieve attractive returns on invested capital.

Directors

Richard Johnson has decided not to seek re-election this year. He has served on your board as a non-executive director for almost ten years and has played an important role in the development of the company. I thank him for his wise counsel over this period.

Staff

The products that our customers use are generally identical to those that our competitors supply. The difference which makes our customers use us rather than our competitors is our level of service, at every stage of a hire transaction, from initial contact to invoice payment. This derives from two things: the quality of our systems and the quality of our people. We have a strong core of people at all levels of the company whose commitment to the business has been and will continue to be the critical factor in your company's successful growth. I draw much comfort from this for our future prospects and thank our people for their commitment, professionalism and enthusiasm.

Outlook

The level of general activity among our customers remains steady and the year has started well for us with strong year-on-year comparatives. There are also a large number of exciting growth opportunities, particularly those which will enable us to increase our geographical coverage in the UK and thereby provide a better service to our customers. Our business is robust at present and is well capable of profitable growth over the coming year.

John Laycock, Chairman

27 February 2004

Operations

Our business

Your company operates tool hire and lifting equipment hire branches in England and Wales 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. Branches have transport for making deliveries.

Our customer base is predominantly trade customers using account facilities, although all our branches service the general public. Our trade customers represent a huge cross-section of activities ranging from major contractors to councils, industrial concerns and local tradesmen. We estimate our share of the UK tool hire market to be around 5% and we are one of the four largest tool hirers in the UK.

We operate over 100 branches and have grown rapidly from our base in Bristol. The map on the inside back page of this Report & Accounts shows the locations of our branches. Our branches are predominantly in Southern England and South Wales and we have recently been strengthening our position in the Midlands. We have significant growth opportunities in those parts of the UK where we are currently not represented.

The tool hire market continues to show steady growth. This reflects the continued trend for all types of businesses to outsource their equipment ownership, maintenance and delivery. This is intensifying as many of the services for which our tools are used are being subcontracted to our customers. Health & Safety regulatory requirements, particularly relating to tool maintenance and storage, have further encouraged tool users to hire.

Business objectives and performance measurement

These are set out on page 3 of this Report & Accounts. The key financial objective is consistently to achieve attractive returns on invested capital so that Brandon Hire is recognized as an excellent investment for shareholders.

All our branches are measured as individual profit centres with monthly review of their performance. The ratio of turnover to 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 include equipment losses, level of customer queries and local debtor collection.

Performance

Performance for the year was satisfactory with turnover up 20% and operating profit up 27%. Like for like growth in turnover for the full year was around 7%. The business showed a marked improvement in the second half, which provided over two-thirds of operating profit. This reflected stronger organic growth and the impact of realising the benefit of cost control measures as the year progressed.

During the year, we acquired Cox Hire Centres' two-branch tool hire operation in Mansfield and Alfreton. Subsequent to the year-end, we have made two further acquisitions, comprising two branches in Essex and one in Central London. We have also completed the relocation or closure of branches which were formerly located inside Magnet stores.

Part of the increase in turnover was attributable to Loadtite (now called Brandon Loadtite), the specialist lifting equipment hire and sales business, which was acquired in November 2002 from the receivers of Baldwin Industrial Services PLC. During the year, three of the four Brandon Loadtite branches were relocated and two additional branches were established in Brandon Tool Hire depots in Plymouth and Dudley. Brandon Loadtite made only a small contribution during the year, which had an adverse effect on overall margins, but much progress was made in improving internal systems.

Returns to shareholders

Our share price closed the year at 83.5p, having opened the year at 58.5p. Dividend payments made during the year totalled £1.01m, representing 3.75p per share. Total shareholder return for the year was therefore 50%, compared to the FTSE Small Cap (excluding investment trusts) average of 37%.

The book value of the hire fleet at the year-end was £14.5m and its original cost was £24.9m. This generated the large majority of total turnover of £39.6m and operating profit before goodwill amortisation of £4.5m, representing an acceptable return, well ahead of the industry average, on capital invested in the fleet.

In October, we raised £2.0m from a placing of 2.7m shares to ensure that we were in a position to take advantage of several acquisition opportunities. The placing was at 80p per share.

Dynamics of the business

Our market remained steady during the year, with the summer months benefiting from the sustained hot weather. We believe that our organic growth was comfortably ahead of that achieved in the tool hire market generally. We achieved this growth whilst maintaining a controlled capital expenditure programme, thus boosting our return on invested capital.

The quality of our customer data has helped us significantly to manage our customer relationships better and to identify opportunities to generate more business. This has become particularly important when dealing with larger customers who are increasingly looking to reduce the number of their suppliers. By tracking our relationships with different divisions of our larger customers across all parts of our business, we are able to identify and target customers with the capacity to spend more with us.

We are also benefiting from the increasing range of our geographical coverage. This is making us more attractive to existing customers and bringing more customers into our network. In turn, this makes it easier for us to move into new areas where we can generate business from our existing customer base.

Future expansion

We currently have in place an experienced and successful senior management team, all of whom have proved themselves as successful managers during a period of growth. During the course of the year we have invested in the management infrastructure to offer more support to our senior operational managers; this has enabled them to focus increasingly on customers and growing the business. Coupled with strong systems that have proved themselves over the years to be robust and a mature and powerful IT capability, we now have an excellent platform for significant growth.

The clear focus of our growth will be a continuation of our existing strategy: to strengthen our market position in areas where we currently operate and to increase the geographical area that we cover. This is achieved by a combination of acquisitions and new branches. We are considering several potential acquisitions and have identified new geographical areas where branch openings can be well supported by our existing customer base.

Outlook

The momentum built up in the second half of 2003 has continued into 2004 which is already showing impressive year-on-year growth. Unless the UK economy falters significantly, we appear to be well placed for a further year of profitable growth.

Charles Skinner, Chief Executive

27 February 2004


BRANDON HIRE PLC
TOOL HIRE
BRANDON HIRE PLC
TOOL HIRE

Finance

Profit and Loss

The operating profit before goodwill amortisation of £0.2m was £4.5m. The operating margin (calculated as operating profit defined above as a percentage of turnover) was 11%. Interest charges are covered 5.5 times by operating profit and the total dividend is covered 2.1 times by profit after taxation.

The effective tax rate of 31% (2002: 28%) is close to the UK corporation tax rate of 30%, reflecting permanent differences in the corporation tax computation.

Cash flow

The cash flow from operating activities was £7.1m. The principal source of cash inflows is receipts from customers in respect of hire and sales, accounting for 95% of the total receipts in 2003 (2002: 99%). The only other material source of cash inflow during the year was £2.04m raised from the placing of additional ordinary shares.

Capital expenditure amounted to £5.3m. £1.9m was realised from the sale of assets. The net £3.4m expenditure compares with a total depreciation charge of £3.5m.

Net investment in hire equipment was £2.8m, which compares with £2.6m depreciation on these assets.

Current liquidity

At the end of the year net borrowings amounted to £11.72m (2002: £14.67m) and gearing was 77% (2002: 123%). This decrease resulted mainly from the October placing of just under 10% of the issued ordinary share capital for cash, realising £2.04m after expenses. As this fundraising was made in order to finance expansion of the branch network, and we have secured further bank facilities as described below, it is likely that the gearing will increase as acquisition opportunities arise.

There is no marked seasonality of borrowings; the peak level of borrowings was £14.98m at the end of May 2003.

Bank borrowings comprise overdraft and loan facilities. We have recently completed negotiations for an increase in the overdraft facility to £4m, and a £13.5m loan facility, which together with the equity raised provides significant funds for expansion. The overdraft and that part of the loan facility in excess of £7m are at variable rates of interest with a margin of 1-1.25% 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 to continue these agreements at the same rates up to any date on or before 21 May 2006 and 21 May 2011, respectively.

The maturity profile of both borrowings and undrawn committed borrowing faciltities is set out in note 14 the the accounts.

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

Finance (continued)

Capital structure and treasury policy

Financial Instruments

The company's financial instruments comprise borrowings, intrest rate swaps, 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, 60% of the gross borrowings were at fixed rates and 40% 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 has recognised the requirement to adopt IFRS in 2005 and has identified the following key financial areas affected by the change: goodwill, financial instruments and share based payments.

Information technology

We have consolidated our IT systems during the year, but delivered improvements in CRM information, and integrated Brandon Loadtite fully onto our systems. IT spend (including communications) has reduced to 2.1% of turnover from 2.5% in 2002.

The Board approved expenditure in October for a major upgrade in hardware and software. This project should increase processing speeds substantially, and enable further software development aimed at improving operational efficiency and supplying additional customer services for both Brandon Tool Hire and Brandon Loadtite.

Chris Sims, Finance Director

27 February 2004

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 committed £10,000 to a Charity Fund managed by three staff members. Funds will be 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.

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 wastepaper is recycled.

Health & 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.

To ensure Health and Safety, we are committed to the prevention of all 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 in order to ensure as far as possible that employees are fully competent in their tasks. Our aim is to enhance the company's capabilities to enable the protection of its employees, customers and the general public.

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.

CORPORATE GOVERNANCE

Principles

The Board supports the principles of corporate governance set out in the Combined Code.

The directors set out below the ways in which the principles of corporate governance are applied to the company:

- The Board will on a regular basis review the composition of the Board taking into account the diversity of skills and experience required in the context of the business and its strategies.

- The Board as a whole is responsible for the procedure of appointment of its own members.

- On appointment, new directors will be given a comprehensive introduction to the company's business.

- The Board should be free to choose the Chairman and Chief Executive in a way that best meets the needs of the business at the relevant time. Similarly, the Board should decide whether the roles of Chairman and Chief Executive should be separate, though current policy is for separation.

- Executive directors have six month rolling contracts extended to twelve months in the circumstance of a change in control of the company. The Board believes it would be inappropriate to establish term limits for non-executive directors as to do so would risk losing the contribution of directors who have a wealth of understanding of the company's business.

- The Board will maintain two standing committees comprising non-executive directors appointed by the Board. The Remuneration Committee will determine the pay and other benefits of the executive directors. The Audit Committee will review the financial accounts and policies and oversee internal controls and compliance.

- All directors have access to the advice of the company secretary who ensures that proper Board procedures are followed and that applicable regulations are complied with. 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.

- Board meetings take place every month to review trading performance and funding, to monitor strategy and also to receive regular and ad hoc reports. Briefing papers are sent to all directors in advance of Board meetings.

Compliance

Except as specifically identified in this report, the Board has complied throughout the year with the Combined Code. 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. All non-executive directors provide an equally valuable contribution to the Board and it is not therefore necessary to appoint a senior non-executive director at present.

The new Combined Code is effective for accounting periods begining on or after 1 November 2003. The board is currently reviewing the revised requirements in preparation for making its statement on compliance in the 2004 report and accounts.

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 monthly key indicators for the company and for each branch such as: profitability; results of asset counts; and the level of sales credits. These are viewed as the principal indicators that adequate controls are in place locally and 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.

External Auditor's Independence

Any non-audit work undertaken by the company's external auditor is approved by the Audit Committee to ensure that the auditor's independance is not compromised. Details of non-audit fees are disclosed in note 3 to the accounts.

DIRECTORS' REMUNERATION REPORT

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

The Regulations require 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 members of the Committee are Brian Nathan and Peter McIlwraith. Richard Johnson remains on the committee until his retirement as a Director at the forthcoming Annual General Meeting. The Committee consults John Laycock (Chairman) about its proposals and has access to professional advice from outside the Company. During the year, the Committee received some assistance from the company's lawyers, Burges Salmon. Halliwell Consulting Group has been appointed in January 2004 to report to the committee on all aspects of executive directors' packages. Further details of the proposed remuneration policy and a new Long Term Incentive Plan are contained in the circular to shareholders.

The committee's terms of reference are:

- To determine the basic salary, bonus structure, and additional benefits (including share based payment) of Executive Directors;
- To liaise with, and obtain input from, the Chairman concerning the results of the Committee's deliberations;
- To review the remuneration packages of Executive Directors of companies of similar size and nature and to review other relevant external information; and
- To consider whether external advice is required and to consider such advice, as and when taken.

Remuneration policy

The components of Executive Directors' remuneration packages as determined by the Remuneration Committee are designed to attract, retain and motivate Directors of a high calibre, to reward them for enhancing value to shareholders, and to reflect their individual experience, responsibility and achievements. The Committee has regard for Executive remuneration packages of similar positions in companies of similar nature and size. There is no intention to change this policy in future years.

The Remuneration Committee considers that a substantial proportion of the remuneration of Executive Directors should be performance related although it is not considered desirable to have a deterministic method of calculating the performance related proportion.

The company encourages Executive Directors to accept appointments from sources outside the company in the expectation that such appointments will be independent of their services to the company and will broaden their experience. Executive Directors retain earnings from non-executive directorships held.

Share options are granted to Executive Directors and other employees to encourage long-term commitment to the company's success. Under the terms of the existing Executive Share Option Scheme, options were granted on the basis of seniority and length of service. The exercise of options granted under this scheme is not dependent on performance criteria which was in line with market practice when the scheme was first put into place. Existing outstanding share options have been granted under the policy of this scheme. However, the company's current policy is that share based awards should be performance related, as reflected by the terms of the Long Term Incentive Plan in respect of which the company is seeking approval at the forthcoming Annual General Meeting.

Executive Directors are eligible to participate in the company's Savings Related Share Option Scheme (Sharesave) open to all employees. There are no performance criteria on exercise of Sharesave options.

Remuneration packages

The three elements of Executive Directors' remuneration packages are:

- Basic annual salary and benefits, including pension contributions;

- Annual bonus payments which cannot exceed 50% of salary; and
- Share based awards

The company does not make basic annual salary pensionable and Executive Directors are expected to apply an appropriate proportion of their salary to pension contributions as they see fit.

Non-executive directors' remuneration

The remuneration of Non-executive Directors is determined by the Board and reflects the knowledge and experience which they bring to the company. Non-Executive Directors' remuneration consists solely of fees for their services in connection with Board and committee meetings, and other time spent on the company's business. The Board determines their fees.

Contracts of service

Under the terms of service agreements dated 20 November 2001, Executive Directors have six month rolling contracts extended to twelve month in the circumstance of a change in control of the company.

John Laycock's services are provided through a service contract with John Laycock Ltd.

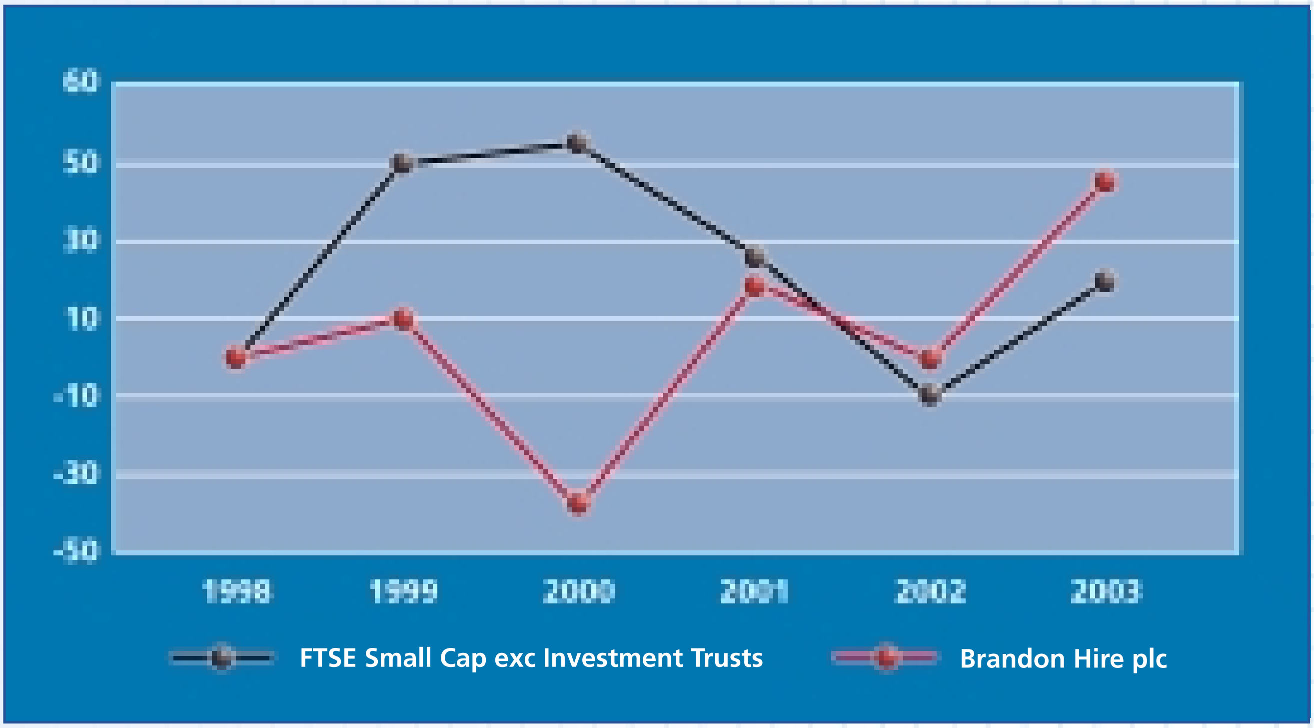
Non-Executive Directors do not have service contracts, are not eligible for pension scheme membership, and do not participate in any of the company's share option or other incentive schemes.

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.

BRANDON HIRE PLC - TOTAL SHAREHOLDER RETURN FROM 31/12/98



INFORMATION SUBJECT TO AUDIT

REMUNERATION

a AGGREGATE DIRECTORS' REMUNERATION

The total amounts for directors' remuneration were as follows:

	2003 £000	2002 £000
Salaries, fees and benefits	382	336
Payments for individual pension arrangements	29	29
Gains on exercise of share options	---	---
	411	365

b DIRECTORS' EMOLUMENTS

	2003						2002		
	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	51	—	51
Charles Skinner	151	12	27	190	15	205	160	15	175
Chris Sims	83	7	13	103	14	117	89	14	103
Brian Nathan	12	—	—	12	—	12	12	—	12
Richard Johnson	12	—	—	12	—	12	12	—	12
Peter McIlwraith	12	—	—	12	—	12	12	—	12
	311	31	40	382	29	411	336	29	365

* payable to John Laycock Ltd

** Benefits comprise company car and medical insurance.

DIRECTORS' SHARE OPTIONS

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

	As at 1 January	Grant date	As at 31 December	Exercise Price pence	Date from which exercisable	Expiry date	Scheme
Charles Skinner	150,000	16 Oct 2000	150,000	41.5	16 Oct 2003	16 Oct 2010	Options
	100,000	2 Oct 2001	100,000	64.5	2 Oct 2004	2 Oct 2011	Options
	14,949	4 Oct 2001	14,949	64.8	1 Dec 2004	1 Jun 2005	Sharesave
Chris Sims	150,000	16 Oct 2000	150,000	41.5	16 Oct 2003	16 Oct 2010	Options
	100,000	2 Oct 2001	100,000	64.5	2 Oct 2004	2 Oct 2011	Options
	14,949	4 Oct 2001	14,949	64.8	1 Dec 2004	1 Jun 2005	Sharesave

No options were granted or exercised in the year.
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 2003 was 83.5p and the range during the year was 52.5p to 101p.

DIRECTORS' INTERESTS

The beneficial interests of the Directors who were in office on 31 December 2003 are as follows:

	2003 Shares at 10p	2002 Shares at 10p
John Laycock	9,000,000	9,000,000
Charles Skinner	188,963	188,963
Chris Sims	62,000	62,000
Brian Nathan	48,500	48,500
Richard Johnson	15,333	15,333

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

The directors submit their report and audited financial statements for the year ended 31 December 2003.

Business review and activity

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 Chairman's Statement and the Operating and Financial Review on pages 5 to 10.

Share capital

At 10 February 2004 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	5,015,000	16.9%
Universities Superannuation Scheme	1,584,000	5.9%
Gartmore Investment Management	1,473,000	5.0%
Henderson Global Investors	1,150,000	4.3%
Framlington Investment Management	1,000,000	3.7%
Electra Quoted Management Ltd	925,000	3.4%

Results and dividends

The financial results for the year are set out on page 20. The directors recommend a final dividend for the period of 2·6p bringing the total dividend for the year to 4.0p (2002: 3·7p) per share. It is proposed to pay the dividend on 5 May 2004 to shareholders on the register at 2 April 2004.

Annual general meeting

The Annual General Meeting will be held at 9·30am on 20 April 2004. Notice of the meeting, a proxy form and explanatory notes are enclosed with the Report and Accounts.

Directors and directors' interests

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

The beneficial interests of the directors, and directors' interests in the Executive Share Option Scheme and the Savings Related Share Option Scheme, are set out on page 16.

Richard Johnson retires at the forthcoming Annual General Meeting and is not seeking re-election. Chris Sims retires by rotation and, being eligible, offers himself for re-election at the Annual General Meeting.

Payment to suppliers

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 2003 were 59 days (2002: 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

The company has a policy of keeping employees informed of all matters that concern them, by means of formal announcements and informal discussions. The involvement of employees in the performance of the company is encouraged through the employee Sharesave Scheme.

Charitable donations

Charitable donations for the year amounted to £1,000 for local causes (2002: £1,000). There were no political contributions.

Post balance sheet events

Full disclosure of post balance sheet events is given in note 25 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
27 February 2004

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.

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 seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or 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 2003 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

27 February 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Before acquisitions £'000	Acquisitions £'000	2003 Total £'000	2002 Total £'000
Turnover - continuing operations		39,372	248	39,620	32,937
Cost of sales		(10,578)	(54)	(10,632)	(7,800)
Gross profit		28,794	194	28,988	25,137
Distribution costs		(3,640)	(16)	(3,656)	(3,034)
Administration expenses		(20,900)	(151)	(21,051)	(18,745)
Operating profit before goodwill amortisation		4,448	28	4,476	3,568
Goodwill amortisation		(194)	(1)	(195)	(210)
Operating profit - continuing operations		4,254	27	4,281	3,358
Profit on sale of properties				—	323
Profit on ordinary activities before interest and taxation				4,281	3,681
Interest payable	2			(780)	(729)
Profit on ordinary activities before taxation	3			3,501	2,952
Tax on profit on ordinary activities	4			(1,085)	(744)
Profit on ordinary activities after taxation				2,416	2,208
Dividends	5			(1,157)	(996)
Retained profit for the financial year	17			1,259	1,212

	Note	2003 pence	2002 pence
Earnings per share	6		
Basic earnings per share		8.8	8.2
Diluted earnings per share		8.6	8.1
Adjusted earnings per share		9.5	7.8

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 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	8	3,158	3,316
Tangible assets	9	19,051	18,620
Investment	10	200	200
		22,409	22,136
Current assets			
Stocks	11	2,379	2,253
Debtors	12	10,125	9,223
Cash at bank and in hand		63	56
		12,567	11,532
Creditors			
Amounts falling due within one year	13	8,131	10,068
Net current assets		4,436	1,464
Total assets less current liabilities		26,845	23,600
Creditors			
Amounts falling due after more than one year	13	10,190	10,476
Provisions for liabilities and charges	15	1,345	1,161
Net assets		15,310	11,963
Capital and reserves			
Called up share capital	16	2,972	2,692
Share premium account	17	7,759	5,951
Revaluation reserve	17	313	313
Other capital reserve	17	10	10
Profit and loss account	17	4,256	2,997
Equity shareholders' funds	18	15,310	11,963

Approved by the board on 27 February 2004
John Laycock, Director
Chris Sims, Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Net cash inflow from operating activities	19		7,086		6,194
Returns on investments and servicing of finance					
Bank and loan interest paid		(678)		(626)	
Interest element of finance lease rentals		(102)		(103)	
			(780)		(729)
Taxation paid			(485)		(864)
Capital expenditure					
Payments to acquire tangible fixed assets		(5,335)		(3,867)	
Receipts from sales of tangible fixed assets		1,904		2,026	
Net cash outflow from capital expenditure			(3,431)		(1,841)
Acquisitions and disposals					
Purchase of businesses			(516)		(2,667)
Equity dividends paid			(1,010)		(980)
Financing					
Issue of ordinary share capital		2,200		58	
Expenses of share issue		(112)		—	
New loans received		—		2,067	
Repayments of amounts borrowed	20	(567)		—	
Capital element of finance lease rentals	20	(2,549)		(710)	
Net cash (outflow)/inflow from financing			(1,028)		1,415
(Decrease)/increase in cash in the year	20		(164)		528

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 the Companies Act 1985 and applicable accounting standards. 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.

Goodwill

Goodwill represents the excess of the fair value of the consideration given for a business over the fair value of the net assets acquired. 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 standard. 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**
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. The carrying value 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.

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. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

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 when incurred.

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.

Turnover

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

Derivatives and other financial instruments

The interest differential amounts due to/from the company on interest rate swaps are accrued until settlement date and are recognised within interest expense.

1 SEGMENTAL INFORMATION

No geographic 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 tool and lifting equipment hire and sales.

2 INTEREST PAYABLE

	2003 £'000	2002 £'000
Bank interest payable	91	60
Loan interest payable	587	566
Finance lease charges	102	103
	780	729

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £'000	2002 £'000
This is stated after charging/(crediting) the following:		
Depreciation	3,520	3,216
Goodwill amortisation	195	210
Auditors' remuneration for audit services	36	35
Auditors' fees for non audit services - tax advisory	—	5
- tax compliance	8	8
Other operating lease rentals	3,282	3,017
Net profit on sale/disposal of hire equipment	(311)	(289)
Loss/(profit) on disposal of other fixed assets	104	(227)

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
Current Tax		
UK Corporation tax on profits for the year	922	515
Adjustment in respect of prior years	11	1
Total current tax	933	516
Deferred Tax		
Origination and reversal of timing differences	152	228
Tax on profit on ordinary activities	1,085	744
Reconciliation of current tax charge		
Profit on ordinary activities before tax	3,501	2,952
Tax on profit on ordinary activities at standard rate of tax (30%)	1,050	886
Non deductible expenditure	46	80
Property disposals	—	(97)
Fixed asset adjustments	(174)	(354)
Adjustment in respect of prior years	11	1
	933	516

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, albeit possibly at a reduced level.

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.

5 DIVIDENDS

	2003 £'000	2002 £'000
Interim dividend paid of 1·4p per share (2002: 1·35p)	377	363
Final dividend proposed of 2·6p per share (2002: 2.35p)	780	633
Total dividends for the year of 4.0p per share (2002: 3·7p)	1,157	996

6 EARNINGS PER SHARE

Earnings per share of 8.8p (2002: 8.2p) is based on 27,572,710 shares (2002: 26,900,074 shares) being the weighted average number of ordinary shares in issue throughout the year, and £2,416,000 (2002: £2,208,000) being the profit on ordinary activities after taxation. Diluted earnings per share of 8.6p (2002: 8.1p) is based on 28,003,415 shares (2002: 27,285,235 shares) being the weighted average number of ordinary shares adjusted to reflect the dilutive potential ordinary shares arising from unexercised share options.

The reconciliation to adjusted earnings per share is as follows:

	2003 £000	2003 Earnings per share pence	2002 £000	2002 Earnings per share pence
Profit on ordinary activities after taxation	2,416	8.8	2,208	8.2
Profit on sale of properties	—	—	(323)	(1.2)
Goodwill amortisation	195	0.7	210	0.8
Profit for adjusted earnings per share	2,611	9.5	2,095	7.8

The adjusted numbers have been provided in order that the effects of goodwill amortisation and profit on sale of properties on reported earnings can be fully appreciated.

7 EMPLOYEES

	2003 £'000	2002 £'000
Staff costs including directors:		
Wages and salaries	11,427	10,183
Social security	1,053	875
Other pension costs	215	217
	12,695	11,275

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

	Number	Number
Management and administration	98	94
Hire operations	558	510
	656	604

8 INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 January 2003	3,983
Additions (note 22)	97
Fair value adjustment arising on prior year acquisition (note 22)	(60)
At 31 December 2003	4,020
Amortisation	
At 1 January 2003	667
Charge for the year	195
At 31 December 2003	862
Net book value	
At 31 December 2003	3,158
At 31 December 2002	3,316

9 TANGIBLE FIXED ASSETS

	Freehold Land & buildings £'000	Leasehold buildings £'000	Hire equipment £'000	Motor vehicles £'000	Fixtures & equipment £'000	Total £'000
Cost or valuation						
At 1 January 2003	1,762	228	22,810	1,804	5,131	31,735
Additions	52	30	4,835	104	627	5,648
Disposals	—	(80)	(2,789)	(650)	(38)	(3,557)
At 31 December 2003	**1,814**	**178**	**24,856**	**1,258**	**5,720**	**33,826**
Depreciation						
At 1 January 2003	250	143	9,034	1,175	2,513	13,115
Charge for the year	39	28	2,591	151	711	3,520
Disposals	—	(80)	(1,296)	(465)	(19)	(1,860)
At 31 December 2003	**289**	**91**	**10,329**	**861**	**3,205**	**14,775**
Net book value						
At 31 December 2003	**1,525**	**87**	**14,527**	**397**	**2,515**	**19,051**
At 31 December 2002	1,512	85	13,776	629	2,618	18,620

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, without updating the valuations.

The depreciation charge for the year includes £100,000 (2002: £379,000) in respect of assets held under finance lease.

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

	2003 £'000	2002 £'000
Cost	**494**	3,468
Accumulated Depreciation	**(194)**	(534)
	300	2,934

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 all land and buildings comprises:

	2003 £'000	2002 £'000
Land and buildings stated:		
At cost	**883**	858
At valuation	**729**	739
	1,612	1,597

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

	2003 £'000	2002 £'000
Cost	**562**	562
Aggregate depreciation	**(118)**	(112)
	444	450

10 FIXED ASSET INVESTMENT

Unlisted Investment

The company acquired 5% of the ordinary share capital of F&B Profiles (Holdings) Ltd in 1996 for £450,000. In 2000, this was written down to £200,000, which the directors consider is an appropriate carrying value.

11 STOCKS

	2003 £'000	2002 £'000
Maintenance and consumable stocks	776	693
Goods for resale	1,603	1,560
	2,379	2,253

12 DEBTORS

	2003 £'000	2002 £'000
Trade debtors	8,614	7,078
Advance Corporation Tax	—	376
Other debtors	12	415
Prepayments and accrued income	1,499	1,354
	10,125	9,223

13 CREDITORS

	amounts falling due within one year		amounts falling due after more than one year	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank overdraft	1,519	1,348	—	—
Bank loans	—	2,125	10,000	8,442
Loan notes	22	22	—	—
Trade creditors	3,676	3,184	—	—
Corporation tax	312	240	—	—
Taxation and social security	963	811	—	—
Finance lease liabilities	108	873	130	1,914
Deferred consideration	60	80	60	120
Accruals and deferred income	691	752	—	—
Dividends	780	633	—	—
	8,131	10,068	10,190	10,476

14 FINANCIAL INSTRUMENTS

Financial liabilities

The maturity profile of the company's financial liabilities at 31 December 2003 was as follows:

	2003 £'000	2002 £'000
In one year or less, or on demand:		
Bank loans and overdraft	1,519	3,473
Loan notes	22	22
Vacant property provision	28	18
Deferred consideration	60	80
Finance lease liabilities	108	873
	1,737	4,466
In more than one year but not more than two years:		
Bank loans	—	1,125
Vacant property provision	20	11
Deferred consideration	40	60
Finance lease liabilities	99	871
	159	2,067
In more than two years but not more than five years:		
Bank loans	10,000	3,375
Vacant property provision	25	12
Deferred consideration	20	60
Finance lease liabilities	31	1,043
	10,076	4,490
In more than five years:		
Bank loans	—	3,942
Total	11,972	14,965

Financial assets

	2003 £'000	2002 £'000
Unlisted investment (note 10)	200	200
Cash in hand	63	56
Total	263	256

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

Short term debtors and creditors have been omitted from all disclosures.

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 relates 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 5.6% for a weighted average period of 2.4 years.

The undrawn committed bank facilities available at 31 December 2003 in respect of which all conditions precedent had been met at that date totalled £6.0m all of which expires within three years.

At 31 December 2003, the fair value of the long-term fixed borrowings is £7,458,000 (2002: £7,529,000). The fair value of the interest rate swap agreements is an unrecognised loss of £320,000 (2002: unrecognised loss £463,000). There are no differences between the book value and fair value of other financial instruments. Changes in the fair value of the interest rate swaps as a result of changes in interest rates are not included in the book value of the relevant liabilities. 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.

As explained in the operating and financial review on page 10, the company's policy is to hedge interest rate risk using rate swaps. All the gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions or positions.

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax £'000	Vacant property provision £'000	Total £'000
At 1 January 2003	1,120	41	1,161
Paid during the year	—	(23)	(23)
Profit and loss account charge	152	55	207
At 31 December 2003	1,272	73	1,345

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 taking into account expected dates on which properties will be assigned or subleased and using a discount rate of 8%. It is expected that all of the expenditure relating to this provision will be incurred by 2007.

16 CALLED UP SHARE CAPITAL

	2003 Number	2003 £	2002 Number	2002 £
Authorised ordinary shares of 10p each	40,000,000	4,000,000	40,000,000	4,000,000

	2003 Number	2003 £'000
Fully paid ordinary shares of 10p each:		
At 1 January	26,918,596	2,692
Share placing	2,691,850	269
Share options exercised	108,501	11
At 31 December	29,718,947	2,972

The share placing in October 2003 raised £2.0m additional funding for the company.

The company operates an Executive Share Option Scheme whereby, from time to time, options are granted to employees, details of which are shown below. The terms of the options are dependent on seniority, years of service and the prevailing share price.

Date granted	Exercisable after	Exercise Price Pence	2003 Number	2002 Number
12 September 1995	12 September 1998	110.0	50,000	63,000
7 October 1997	7 October 2001	127.5	58,038	61,567
28 September 1998	28 September 2002	91.0	232,639	254,617
13 September 1999	13 September 2002	123.5	161,941	161,941
14 March 2000	14 March 2003	84.5	35,502	35,502
16 October 2000	16 October 2003	41.5	425,289	533,700
2 October 2001	2 October 2004	64.5	639,042	639,042
			1,602,451	1,749,369

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	2003 Number	2002 Number
7 October 1999	1 December2002	97.0	—	38,334
4 October 2001	1 December2004	64.8	164,713	290,859
28 March 2003	1 May 2006	44.0	385,705	—
			550,418	329,193

17 RESERVES

	Share Premium £'000	Revaluation £'000	Other Capital £'000	Profit & Loss £'000
At 1 January 2003	5,951	313	10	2,997
Shares placed net of costs	1,773	—	—	—
Options exercised	35	—	—	—
Retained profit for the year	—	—	—	1,259
At 31 December 2003	**7,759**	**313**	**10**	**4,256**

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

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	2,416	2,208
Dividends	(1,157)	(996)
	1,259	1,212
Net proceeds on issue of shares	2,042	—
Exercise of employee share options	46	58
	3,347	1,270
Opening shareholders' funds	11,963	10,693
Closing shareholders' funds	15,310	11,963

19 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 £'000
Operating profit	4,281	3,358
Depreciation charges and goodwill amortisation	3,715	3,426
Profit on sale of tangible fixed assets	(221)	(193)
(Increase) in stocks	(100)	(257)
(Increase) in debtors	(1,278)	(964)
Increase in creditors	657	818
Increase in provisions	32	6
Net cash inflow from operating activities	7,086	6,194

20 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 2003	56	(1,348)	(1,292)	(22)	(10,567)	(2,787)	(14,668)
Cash flow	7	(171)	(164)	—	567	2,549	2,952
Other non-cash movements	—	—	—	—	—		—
At 31 December 2003	**63**	**(1,519)**	**(1,456)**	**(22)**	**(10,000)**	**(238)**	**(11,716)**

21 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	2003 £'000	2002 £'000
(Decrease)/increase in cash	(164)	528
Decrease/(increase) in debt and lease finance	3,116	(1,357)
Change in net debt from cashflows	2,952	(829)
New lease financing	—	(2,329)
Movement in net debt in the year	2,952	(3,158)
Net debt at 1 January	(14,668)	(11,510)
Net debt at 31 December	(11,716)	(14,668)

22 ACQUISITIONS

The following tool hire business was acquired for cash:
- on 1 October 2003 from Cox Plant Ltd

The effect of this transactions is as follows:

	Book & fair value £'000
Tangible fixed assets	313
Stocks	26
Other net (liabilities)/assets	—
Net assets acquired	339
Goodwill	97
	436
Satisfied by:	
Cash consideration including expenses of acquisition	436

The provisional fair values recorded in respect of the acquisition of Loadtite in November 2002 have been finalised during the year following full asset checks and the finalising of matters relating to accrued liabilities.
Details of these adjustments are set out below:

	Provisional fair value as per 2002 accounts £'000	Revaluations £'000	Fair value as now restated £'000
Tangible fixed assets	565	(14)	551
Stocks	250	—	250
Other net liabilities	(74)	74	—
Book and fair value of net assets acquired	741	60	801
Goodwill	100	(60)	40
	841	—	841

23 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

(i) Capital commitments
Capital expenditure authorised and contracted for at 31 December 2003 for which no provision has been made in these accounts amounted to £6,000 (2002: £5,000).

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

	Property leases		Other operating leases	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Rentals due in next year on operating leases which expire:				
Within one year	231	198	99	47
Between one and five years	813	577	1,110	1,096
After five years	1,130	1,147	—	—
	2,174	1,922	1,209	1,143

24 RELATED PARTY TRANSACTIONS

(i) Companies owned by, or associated with, John Laycock, occupy or are guarantors of the rent payable on a number of premises owned or leased by the company. They pay or guarantee rent and a proportion of shared costs transacted on an arms length basis on these premises. The total of these transactions plus others conducted in the normal course of business was £50,000.

(ii) No other material contract or agreement has been entered into during the year, nor existed at the end of the year in which a director or key manager had a material interest.

25 POST BALANCE SHEET EVENTS

The following tool hire businesses have been acquired since the year end:

(I) On 2 January 2004 from Ilford Plant Hire & Sales Limited for £443,000
(ii) On 2 February 2004 from Higgins Hire Centre for £380,000

FIVE YEAR RECORD

	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 £'000
Turnover - continuing operations	**39,620**	32,937	30,065	25,500	23,577
Operating profit:					
- before goodwill amortisation and exceptional costs	**4,476**	3,568	4,200	2,590	3,220
- goodwill amortisation	**(195)**	(210)	(153)	(155)	(115)
- exceptional costs	**—**	—	—	(781)	—
Operating profit - continuing operations	**4,281**	3,358	4,047	1,654	3,105
Amount written off investment	**—**	—	—	(250)	—
Profit on sale of properties	**—**	323	—	—	—
Profit on ordinary activities before interest and taxation	**4,281**	3,681	4,047	1,404	3,105
Interest payable	**(780)**	(729)	(751)	(880)	(904)
Profit on ordinary activities before taxation	**3,501**	2,952	3,296	524	2,201
Tax on profit on ordinary activities	**(1,085)**	(744)	(943)	(220)	(326)
Profit on ordinary activities after taxation	**2,416**	2,208	2,353	304	1,875
Dividends	**(1,157)**	(996)	(966)	(939)	(939)
Retained profit/(loss) for the financial year	**1,259**	1,212	1,387	(635)	936
Shareholders' funds	**15,310**	11,963	10,693	9,919	10,543
Basic earnings per share	**8.8**	8.2	8.8	1.1	7.0
Adjusted earnings per share*	**9.5**	7.8	9.3	5.6	7.4
Dividend per share	**4.0**	3.7	3.6	3.5	3.5

The comparatives for 2000 and 1999 have not been restated for FRS19 - Deferred Taxation.
* excluding goodwill amortisation, exceptional costs, amount written off investment, and profit on sale of properties.

Registered Office:

72-75 Feeder Road
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Bristol BS2 0TQ

Web Address
www.brandonhire.plc.uk

Registered Company Number
1008351

Financial Calender:

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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London EC2V 7QR

www.collins-stewart.com

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www.brunswickgroup.com

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www.rbs.co.uk

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Bristol BS1 5QD

www.pwc.com

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Services plc
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Bristol BS99 7NH

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www.burges-salmon.com

TLT Solicitors
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Bristol BS99 7JZ

www.TLTsolicitors.com

Shareholders' Information Service

If you have any queries about share holding (eg lost certificates, dividend payments, amalgamation of holding or change of personal details) please contact our registrars at:

Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Tel: 0870 702 0000

The Annual Report and Accounts will be available as a downloadable pdf file on or shortly after the date of this report from the company's website.

For additional hard copies of the Annual Report and Accounts or Interim Statements, or if you have any questions about the company please contact:

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Company Secretary
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St Philips
Bristol BS2 0TQ

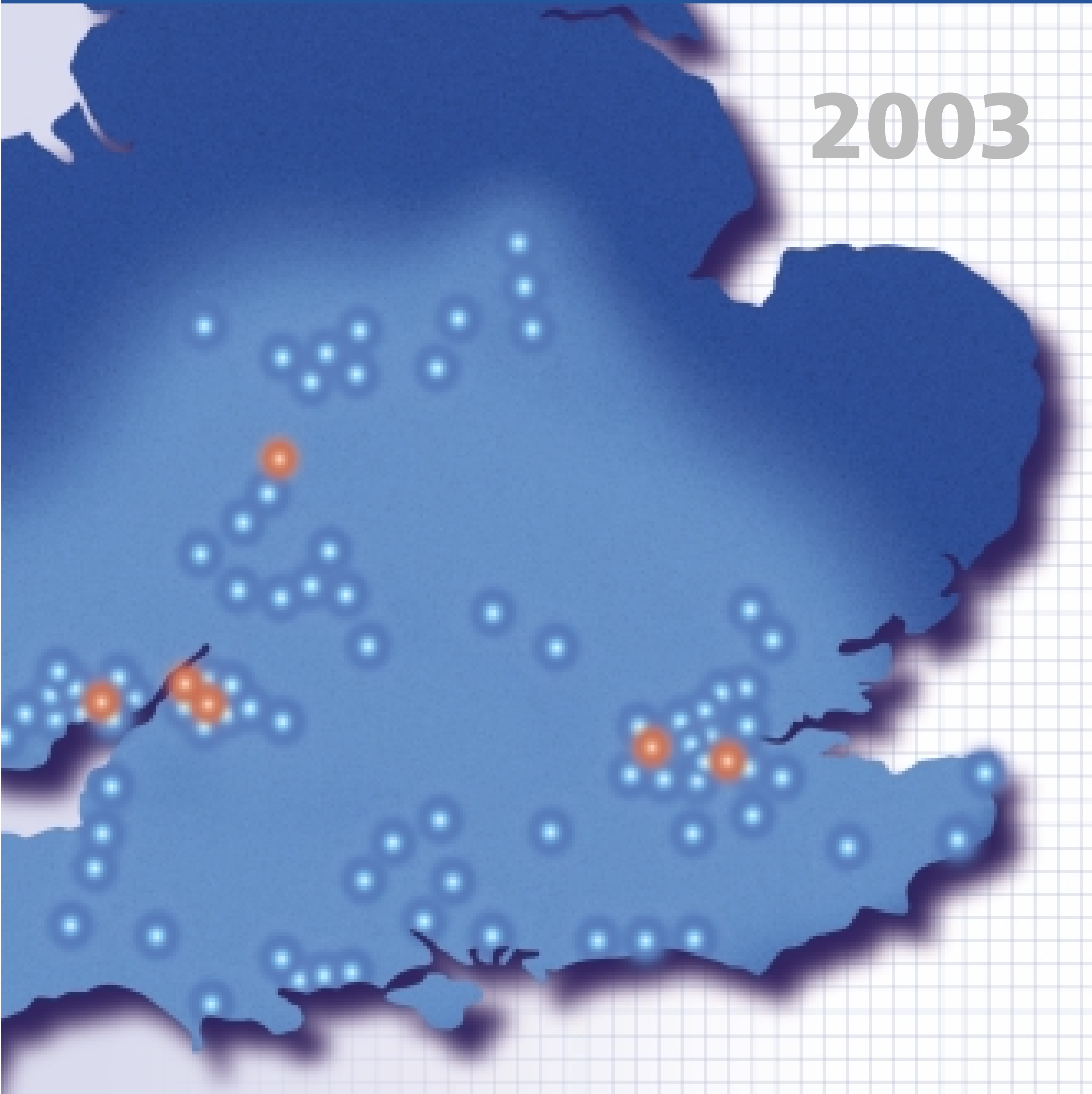
E-mail
chris.sims@brandonhire.plc.uk

Telephone enquiries may be made on:
0117 971 9119

BRANCHES **2003**

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 Barking•
	Loadtite Cardiff•
	Loadtite Hayes•
	Loadtite Servicing•
	Maidstone
	Narberth
	Northampton
	Ramsgate
	Saltash
2002	Sittingbourne
	Willesden
	Wolverhampton
	Worthing
2003	Loadtite Dudley•
	Loadtite Plympton•
	Hayes
	Alfreton
2004	Rainham
	Chelmsford
	King's Cross

Brandon Loadtite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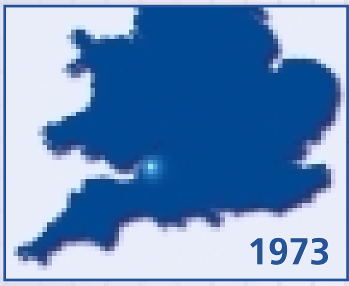
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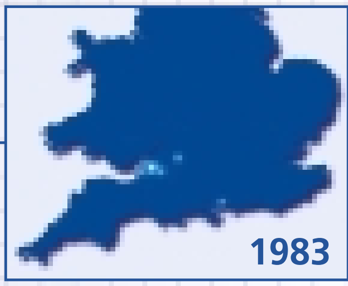
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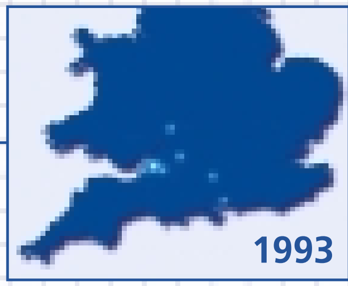
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