

THE EQUIPMENT RENTAL SPECIALISTS



INTERIM REPORT 2012/13

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Chairman's Statement

I am pleased to be able to report another set of very satisfactory results.

In the six months to 30 September 2012 profit before tax and amortisation increased 6% to £11.0 million (H1 2012: £10.4 million) on revenues of £84.0 million (H1 2012: £82.7 million), 2% ahead of the equivalent prior year period. The challenging trading conditions that we face in many of our markets have not abated to any significant degree and we therefore believe that these results represent an excellent achievement. Every business except, as anticipated, Airpac Bukom, held or improved profits in the period. Profit margins rose to 13.0% (H1 2012: 12.5%) and return on capital employed was marginally ahead at 13.2% (H1 2012: 13.1%).

The Group's strong operating cash flow of £18.6 million enabled us to manage net borrowings to £50.1 million at the period end (FY 2012: £40.4 million) after capital investment on fleet of £12.6 million and the two acquisitions from Balfour Beatty Group Limited in July 2012 for £4.1 million. The cash flow for the period also reflects our new policy of paying the final dividend in the first half of the financial year (£3.2 million), and the return of funds to shareholders by way of a tender offer for shares in April 2012 (£7.8 million). All of these initiatives will be progressive and beneficial to the Group.

Your Board is declaring the payment of an increased interim dividend of 3.25 pence per share (H1 2012: 3.10 pence per share) payable on 3 January 2013 to shareholders registered as at 7 December 2012.

Review of Operations

Groundforce

Groundforce profits advanced strongly by 19% to £4.1 million on revenues up 11% to £18.2 million. In the UK, Scotland and the North performed particularly well with the South East slightly quieter due to the lack of major projects and the suspension of works in the run up to and during the Olympic Games. Pleasingly, and consistent with the timing pattern of previous AMP programmes, we are now seeing the release of some AMP5 related work as we enter the second half of the five year asset management programme.

In Europe, there has been a good deal of focus on enhancing the operational and sales capability of the business to build a suitable platform from which to deliver sustainable performance, predominantly in Germany at this stage. Whilst it is still in its infancy, we feel we have made significant progress and are positive about its future prospects.

Overall in the UK, we see soft general construction demand with a greater bias towards infrastructure spending, a market where Groundforce is well placed to take advantage of opportunities.

UK Forks

UK Forks reported unchanged profits of £1.0 million on revenues ahead at £7.0 million (2011: £6.4 million). After the substantial improvement in the prior year, performance has stabilised, a very satisfactory result given the exposure of this business to general construction and housebuilding. The plant business acquired from Balfour Beatty Group Limited in July 2012 has been successfully integrated and is trading in line with our expectations. We anticipate this satisfactory performance from UK Forks will continue into the second half.

Airpac Bukom

As I indicated at this time last year, we foresaw a gap in liquefied natural gas (LNG) associated works in the Australia/South East Asia market following completion of the very substantial Pluto contract. The absence of this work contributed to a reduction in profits to £1.3 million (2011: £2.0 million) on revenues down by a similar amount to £9.6 million. Given the sporadic nature of LNG projects, these interruptions are unavoidable. However, the opportunities to secure new LNG related work remain very positive and we hope to secure a share of this workload in the second half of the current financial year and beyond.

Elsewhere, variations in regional performance still exist but the overall result was satisfactory and, in our view, prospects for this business as a whole remain excellent.

Torrent Trackage

Torrent Trackage posted an 18% improvement in profits at £1.7 million on turnover ahead 4% at £10.5 million. All aspects of the business performed satisfactorily and the negative impact from the suspension of scheduled maintenance to improve transport availability during the Olympic Games was less severe than we anticipated, and offset by a good spread of activity from maintenance, renewal and London Underground activity.

Investment in the rail sector remains positive and Torrent Trackage, as the market leading provider of small rail plant rental, is well positioned.

TPA

We drew attention last year to the operational challenges that this business faces in managing the dramatic peak in activity during the summer season. I am therefore very pleased that the business has reported a 15% improvement in profit at £2.5 million on a reduced revenue base of £9.5 million (2011: £10.5 million). A more discriminating approach to contract selection, coupled with improved operational management, has led to this substantial improvement, with operating margins rising to 27% (2011: 21%). Less can be more.

Germany delivered a satisfactory result in the first half year against a difficult trading environment. Whilst competition from traditional products and price pressures are a feature of the market, we continued to invest in building a sustainable infrastructure and have every confidence that Germany will continue to prove to be a growing and exciting market for TPA.

Hire Station

Hire Station has made excellent progress with profits advancing 17% to £1.7 million on revenues unchanged at £29 million. Although pressures undoubtedly remain in the core tools market, Hire Station benefitted from the initiatives begun last year to improve service quality and operational efficiencies. The safety equipment rental business, ESS Safeform, delivered a strong first half. In contrast, MEP, the specialist pipefitting business, continued to experience challenging market conditions.

The survey, safety and communication equipment rental activity acquired from Balfour Beatty Group Limited in July 2012, has been successfully integrated and made a small but positive contribution to the first half result and importantly further enhances this important trading relationship.

Hire Station continues to face challenging market conditions but the actions taken within the business should enable further progress to be made.

Outlook

This is now the ninth consecutive commentary on our business performance that I have written against the background of a challenged UK economy. We have for some time felt that the prospects of a general uplift in UK market activity supporting business growth was unlikely to be forthcoming.

We have therefore adopted a relatively defensive stance in terms of protecting the balance sheet strength of the business whilst, where we have felt circumstances justified it, being bold enough to move on specific opportunities. Throughout, the Group has continued to invest in our people, systems and fleet to ensure sustainable performance over the medium and long term.

Against this background, the Board believes that these results are extremely positive and we are confident that the Group has the resources and capabilities to continue to deliver satisfactory performance into the future. The Board would like to thank the employees throughout the Group for their contribution.

Jeremy Pilkington
Chairman
28 November 2012

Condensed Consolidated Income Statement

for the period ended 30 September 2012

		Six months to 30 Sept 2012	Six months to 30 Sept 2011	Full year to 31 Mar 2012
		(unaudited)	Restated (unaudited)	Restated (audited)
	Note	£000	£000	£000
Revenue	3	84,021	82,747	161,514
Cost of sales		(60,214)	(59,684)	(120,910)
Gross profit		23,807	23,063	40,604
Administrative expenses		(11,898)	(11,756)	(22,737)
Operating profit	3	11,909	11,307	17,867
Net financial expenses		(1,368)	(1,260)	(2,539)
Profit before amortisation and taxation		10,963	10,364	15,961
Amortisation of intangibles		(422)	(317)	(633)
Profit before taxation		10,541	10,047	15,328
Income tax expense	4	(2,196)	(2,244)	(3,101)
Net profit for the period		8,345	7,803	12,227
Basic earnings per share	6	21.63p	18.84p	29.63p
Diluted earnings per share	6	19.96p	18.07p	28.26p
Dividend per share	7	3.25p	3.10p	11.35p
Interim dividends proposed/paid (£000)		1,279	1,277	1,277
Final dividend paid (£000)		3,159	-	3,180

The restatement of prior years has not affected reported profit, only revenue and cost of sales. This is explained in note 1.

Condensed Consolidated Statement of Comprehensive Income

for the period ended 30 September 2012

	Six months to 30 Sept 2012 (unaudited)	Six months to 30 Sept 2011 (unaudited)	Full year to 31 Mar 2012 (audited)
	£000	£000	£000
Profit for the period	8,345	7,803	12,227
Other comprehensive income:			
Actuarial losses on defined benefit pension scheme	-	-	(1,355)
Tax on items taken direct to equity	-	-	354
Impact of tax rate change	(52)	(39)	(98)
Effective portion of changes in fair value of cash flow hedges	183	60	684
Foreign exchange translation difference	(166)	(81)	(182)
Other comprehensive income	(35)	(60)	(597)
Total comprehensive income for the period	8,310	7,743	11,630

Condensed Consolidated Statement of Changes in Equity

for the period ended 30 September 2012

	Six months to 30 Sept 2012 (unaudited)	Six months to 30 Sept 2011 (unaudited)	Full year to 31 Mar 2012 (audited)
	£000	£000	£000
Total comprehensive income for the period	8,310	7,743	11,630
Tax movements to equity	795	56	233
Impact of tax rate change	(10)	-	(20)
Share option charge in the period	781	567	1,415
Net movement relating to Treasury Shares and shares held by Vp Employee Trust	1,170	(1,354)	(9,268)
Dividends to shareholders	(3,159)	(3,180)	(4,457)
Change in equity during the period	7,887	3,832	(467)
Equity at the start of the period	91,061	91,528	91,528
Equity at the end of the period	98,948	95,360	91,061

Condensed Consolidated Balance Sheet

at 30 September 2012

		30 Sept 2012 (unaudited)	31 Mar 2012 (audited)	30 Sept 2011 (unaudited)
	Note	£000	£000	£000
Non-current assets				
Property, plant and equipment	5	114,474	110,680	105,869
Goodwill		33,989	33,989	33,989
Intangible assets		5,817	4,977	5,293
Employee benefits		-	-	41
Total non-current assets		154,280	149,646	145,192
Current assets				
Inventories		5,223	4,826	5,859
Trade and other receivables		36,336	34,997	39,029
Cash and cash equivalents		5,932	5,582	6,643
Total current assets		47,491	45,405	51,531
Total assets		201,771	195,051	196,723
Current liabilities				
Interest bearing loans and borrowings		(26,000)	(1)	(10)
Income tax payable		(2,748)	(1,476)	(2,673)
Trade and other payables		(36,798)	(47,654)	(40,143)
Total current liabilities		(65,546)	(49,131)	(42,826)
Non-current liabilities				
Interest bearing loans and borrowings		(30,000)	(46,000)	(50,000)
Employee benefits		(827)	(1,046)	-
Deferred tax liabilities		(6,450)	(7,813)	(8,537)
Total non-current liabilities		(37,277)	(54,859)	(58,537)
Total liabilities		(102,823)	(103,990)	(101,363)
Net assets		98,948	91,061	95,360
Equity				
Issued share capital		2,309	2,309	2,309
Share premium		16,192	16,192	16,192
Hedging reserve		(807)	(990)	(1,614)
Retained earnings		81,227	73,523	78,446
Total equity attributable to equity holders of parent		98,921	91,034	95,333
Non-controlling interest		27	27	27
Total equity		98,948	91,061	95,360

Condensed Consolidated Statement of Cash Flows

for the period ended 30 September 2012

		Six months to 30 Sept 2012 (unaudited)	Six months to 30 Sept 2011 (unaudited)	Full year to 31 Mar 2012 (audited)
	Note	£000	£000	£000
Cash flows from operating activities				
Profit before taxation		10,541	10,047	15,328
Adjustment for:				
Pension fund contributions in excess of service cost		(219)	(219)	(487)
Share based payment charges		781	567	1,415
Depreciation	5	10,396	9,902	20,169
Amortisation of intangibles		422	317	633
Net financial expense		1,368	1,260	2,539
Profit on sale of property, plant and equipment		(1,301)	(755)	(2,199)
Operating cash flow before changes in working capital and provisions		21,988	21,119	37,398
(Increase)/decrease in inventories		(340)	(471)	562
Increase in trade and other receivables		(1,339)	(5,722)	(1,690)
(Decrease)/increase in trade and other payables		(1,745)	1,691	3,099
Cash generated from operations		18,564	16,617	39,369
Interest paid		(1,394)	(1,255)	(2,558)
Interest element of finance lease rental payments		-	(3)	(3)
Interest received		9	-	36
Income tax paid		(1,551)	(1,201)	(3,530)
Net cash from operating activities		15,628	14,158	33,314
Investing activities				
Proceeds from sale of property, plant and equipment		3,936	3,482	7,370
Purchase of property, plant and equipment		(15,149)	(19,084)	(34,596)
Acquisition of businesses (net of cash and overdrafts)		(4,117)	-	-
Net cash from investing activities		(15,330)	(15,602)	(27,226)
Cash flows from financing activities				
Purchase of Treasury Shares and own shares by Employee Trust		(6,675)	(1,354)	(1,422)
Repayment of loans		(3,000)	(26,000)	(30,000)
New loans		13,000	30,000	30,000
Payment of hire purchase and finance lease liabilities		(1)	(11)	(20)
Dividends paid	7	(3,159)	-	(4,457)
Net cash from financing activities		165	2,635	(5,899)
Net increase in cash and cash equivalents		463	1,191	189
Effect of exchange rate fluctuations on cash held		(113)	(57)	(116)
Cash and cash equivalents at beginning of period		5,582	5,509	5,509
Cash and cash equivalents at end of period		5,932	6,643	5,582

Notes to the Condensed Financial Statements

1. Basis of Preparation

Vp plc (the "Company") is a company domiciled in the United Kingdom. The Condensed Consolidated Interim Financial Statements of the Company for the half year ended 30 September 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

This interim announcement has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and the requirements of IAS34 ("Interim Financial Reporting") as adopted by the EU. The accounting policies applied are consistent for all periods presented and are in line with those applied in the annual financial statements for the year ended 31 March 2012, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, with the exception that revenue and cost of sales for prior periods have been restated. The restatements do not affect profit and reflect the Group's revised view that revenue from commercial disposals of fleet assets is not from routine sales of fleet and hence does not need reporting in revenue. The restatements reduce revenue and cost of sales for the six months to 30 September 2011 by £1.3m and £2.0m for the twelve months to 31 March 2012.

The interim announcement was approved by the Board of Directors on 27 November 2012.

The Condensed Consolidated Interim Financial Statements do not include all the information required for full annual Financial Statements.

The comparative figures for the financial year ended 31 March 2012 are extracted from the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; these form the basis of the judgements relating to carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

As stated in the year end accounts, the Group continues to be in a healthy financial position. Since the year end net debt has increased by £9.7m to £50.1m. The Group's total banking facilities are £70m, including an overdraft facility. The Board has evaluated these facilities and the associated covenants on the basis of current forecasts, taking into account the current economic climate and an appropriate level of sensitivity analysis. On this basis the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and to manage its business risks. For this reason the going concern basis has been adopted in the preparation of these condensed interim financial statements.

2. Risks and Uncertainties

There are a number of risks and uncertainties which could have a material impact on the Group's performance. As set out on page 22 of the 31 March 2012 Financial Statements the Group has recently refreshed the processes used to identify, evaluate and manage risk.

The principal risks faced by the Group, and the activities undertaken to mitigate them, as at 31 March 2012 were set out on page 23 of the 31 March 2012 Financial Statements. Nothing has occurred since these Financial Statements were published to change the Group's view on these risks. The Group's exposure to risk is therefore considered by the Board to be within normal parameters and represents an acceptable level of risk.

3. Summarised Segmental Analysis

	Revenue		Operating Profit	
	Sept 2012	Sept 2011 Restated	Sept 2012	Sept 2011
	£000	£000	£000	£000
Groundforce	18,197	16,461	4,123	3,453
UK Forks	7,022	6,446	957	1,014
Airpac Bukom	9,560	10,269	1,315	2,048
Torrent Trackside	10,452	10,007	1,709	1,447
TPA	9,518	10,471	2,529	2,205
Hire Station	29,272	29,093	1,698	1,457
	<u>84,021</u>	<u>82,747</u>	<u>12,331</u>	<u>11,624</u>
Amortisation			(422)	(317)
			<u>11,909</u>	<u>11,307</u>

Notes to the Condensed Financial Statements

4. Income Tax

The effective tax rate of 20.8% in the period to 30 September 2012 (30 September 2011: 22.3%) is made up of two elements. Firstly, an estimated underlying tax rate of 23.8% which reflects the current standard rate of tax of 24%, as adjusted for estimated permanent differences for tax purposes offset by gains covered by exemptions. Secondly there is a release of £0.3m (3.0%) from the deferred tax balance as a result of the change in the future UK corporation tax rate from 24% to 23% with effect from 1 April 2013.

5. Property, Plant and Equipment

	Sept 2012 £000	Sept 2011 £000	Mar 2012 £000
Carrying amount 1 April	110,680	101,286	101,286
Additions	14,085	17,233	34,797
Acquisitions	2,798	-	-
Depreciation	(10,396)	(9,902)	(20,169)
Disposals	(2,635)	(2,727)	(5,171)
Effect of movements in exchange rates	(58)	(21)	(63)
Closing carrying amount	114,474	105,869	110,680

The value of capital commitments at 30 September 2012 was £3,099,000 (31 March 2012: £2,816,000).

6. Earnings Per Share

Earnings per share have been calculated on 38,579,093 shares (2011: 41,406,830 shares) being the weighted average number of shares in issue during the period. Diluted earnings per share have been calculated on 41,810,258 shares (2011: 43,175,440 shares) adjusted to reflect conversion of all potentially dilutive ordinary shares. Basic earnings per share before the amortisation of intangibles was 22.46 pence (2011: 19.41 pence) and was based on an after tax add back of £321,000 (2011: £235,000). Diluted earnings per share before amortisation of intangibles was 20.73 pence (2011: 18.62 pence).

7. Dividends

The directors have declared an interim dividend of 3.25 pence (2011: 3.10 pence) per share payable on 3 January 2013 to shareholders on the register at 7 December 2012. The dividend proposed at the year end was subsequently approved at the AGM in July and £3,159,000 was paid in the period (2011 paid: nil). In previous years the final dividend was paid in October and consequently was not reflected in the interim cash flow. The cost of dividends in the Statement of Changes in Equity is after adjustments for the interim and final dividends waived by the Vp Employee Trust in relation to the shares it holds for the Group's share option schemes together with dividends waived in relation to treasury shares.

8. Analysis of Net Debt

	As at 1 Apr 2012 £000	Cash Flow £000	As at 30 Sept 2012 £000
Cash in hand and at bank less overdrafts	5,582	350	5,932
Revolving credit facilities	(46,000)	(10,000)	(56,000)
Finance leases and hire purchase contracts	(1)	1	-
	(40,419)	(9,649)	(50,068)

The Group's bank facilities comprise of a £35m committed three year revolving credit facility which expires in May 2013, a £30m committed four year revolving credit facility expiring in August 2015 and overdraft facilities totalling £5m.

9. Related Party Transactions

Transactions between Group Companies, which are related parties, have been eliminated on consolidation and therefore do not require disclosure.

10. Forward Looking Statements

The Chairman's Statement includes statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Except as required by the Listing Rules and applicable law, the Company undertakes no obligation to update, review or change any forward looking statements to reflect events or developments occurring after the date of this report.

Notes to the Condensed Financial Statements

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board
28 November 2012

The Board

The Directors who served during the 6 months to 30 September 2012 were:

• Jeremy Pilkington (Chairman) • Neil Stothard • Allison Bainbridge • Peter Parkin • Steve Rogers

Independent Review Report to Vp plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in shareholders' equity, the condensed consolidated interim cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Lindsey Crossland
For and on behalf of KPMG Audit Plc

Chartered Accountants

Leeds
28 November 2012