# annual**report**and**accounts**2002

**www.vpplc.com**

## hire station

Rental and sale of tools to industry, infrastructure repair & maintenance companies and home owners, through a national network of over 80 branches.

## torrent trackside

A market leader in the provision of equipment and support services to the rail infrastructure maintenance companies.

## ukforks

All terrain forktruck rental specialist.

## groundforce

Rental and sale of excavation support systems and associated products to the water utility and civil engineering sectors.

## airpac

Rental of air compressors and associated products to the international oil and gas exploration and development markets and to the UK industrial and mining sectors.

## safeforce

Confined space and hazardous environment safety equipment rental, sale and asset management. Health & Safety and construction skills training provided by UK Training.

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| | **2002** | 2001 restated |
|---|---|---|
| Turnover | **£66.8m** | £59.8m |
| Profit on ordinary activities before taxation and amortisation of goodwill | **£6.5m** | £3.3m |
| Profit on ordinary activities before taxation | **£6.2m** | £3.1m |
| Earnings per share before amortisation of goodwill | **10.87p** | 5.55p |
| Earnings per share | **10.23p** | 5.03p |
| Dividend per share | **4.20p** | 4.05p |
| Shareholders' funds | **£46.5m** | £43.8m |
| Net debt | **£10.6m** | £12.8m |
| Net debt / shareholders' funds | **22.8%** | 29.2% |
| Expenditure on rental equipment | **£12.0m** | £16.7m |
| Cash outflow for acquisitions | **£3.4m** | £1.2m |

| | |
|---|---|
| **Honorary President** | Margaret A Pilkington |
| **Executive Directors** | Jeremy F G Pilkington, B.A. (Chairman and Chief Executive)<br>Neil A Stothard, M.A., F.C.A. |
| **Non-Executive Directors** | Barrie Cottingham, F.C.A., A.T.I.I.<br>Peter W Parkin |
| **Secretary** | Neil A Stothard, M.A., F.C.A. |
| **Registered Office** | Central House, Beckwith Knowle,<br>Otley Road, Harrogate, North Yorkshire, HG3 1UD<br>Registered in England: No 481833<br>Telephone: (01423) 533400 |
| **Auditors** | KPMG Audit Plc, 1 The Embankment,<br>Neville Street, Leeds, West Yorkshire, LS1 4DW |
| **Solicitors** | Hammond Suddards Edge,<br>2 Park Lane, Leeds, West Yorkshire, LS3 1ES |
| **Registrars and Transfer Office** | Capita IRG plc, Bourne House,<br>34 Beckenham Road, Beckenham, Kent, BR3 4TU |
| **Bankers** | National Westminster Bank Plc |
| **Merchant Bankers** | N M Rothschild & Sons Limited |
| **Stockbrokers** | Brewin Dolphin Securities Limited |

I am pleased to report to shareholders on a year of further significant progress.

Group profit before tax doubled to £6.2m (2001: £3.1m, after £2.2m loss on terminated activities) and earnings per share improved by a similar amount to 10.23p (2001: 5.03p). Turnover rose 12% to £66.8m (2001: £59.8m including £4.3m from terminated activities). These profit figures for both the current and prior years are stated after goodwill amortisation; the charge in 2002 was £280k (2001: £229k). Return on capital employed improved to 12.1% (2001: 7.2%), representing useful progress towards our longer term target rate of 15%.

In recognition of the progress made this year and to reflect our confidence in the future, the Board is recommending an increased final dividend of 2.80p per share (2001: 2.65p per share), giving a total dividend for the year of 4.20p per share (2001: 4.05p per share). The dividend will be paid on 1 October 2002 to shareholders registered at 6 September 2002.

We have continued to invest strongly in support of business opportunities across the Group whilst also reducing gearing with the benefit of strong operational cash flow. Capital expenditure including fixed assets from acquisitions, totalled £16.4m (2001: £21.5m). Year end borrowings stood at £10.6m (2001: £12.8m) representing gearing of under 23% (2001: 29%). This positions us well to take advantage of investment and acquisition opportunities as they arise.

## SERVICES

Services comprises four separate businesses with aggregate turnover of £25.6m (2001: £22.0m) and profit before goodwill, interest and tax of £2.6m (2001: £2.6m).

### UK Forks

UK Forks operates a national fleet of rough terrain material handling equipment supplying a wide range of industrial, residential and general construction customers. We are unique in providing this specialist service on a national basis and in transacting our business through call centres, an operational strategy that we have pursued for some years now. We believe these features enable us to deliver tangibly superior levels of service to our target customer base.

Product introductions include the new 360° rotational machines which deliver much of the functionality of a crane on a smaller site whilst retaining the flexibility of the full range of other forklift applications. Also, in response to increasing Health and Safety regulations, UK Forks in conjunction with UK Training, offers comprehensive driver instruction and safety awareness programmes.

The continued buoyancy of the house-building market and an active commercial build programme has helped UK Forks achieve a very satisfactory result for the year.

Total investment in fleet was £2.3m (2001: £5.9m).

### Groundforce

Groundforce provides designs and equipment to solve a wide variety of excavation support problems, primarily within the civil engineering and water services markets. These applications may range from routine utilities street work to the clear bracing of excavations as large as 20 metres square.

Groundforce delivered a generally satisfactory level of performance but the delays in the implementation of the water industries' five year asset management plan (AMP3) and the restrictions imposed on working in rural areas due to the Foot and Mouth epidemic adversely affected the full year results. Some improvement in trading was experienced towards the end of the calendar year.

In October we acquired, for a consideration of £3.1m, the shoring business of Mechplant, one of our principal competitors in this market. Their reputation for design services and complex installations ideally complements our own strengths in these areas. This business has been fully integrated into Groundforce and is performing in line with our expectations.

During the year we introduced a range of piling hammers and pile breakers to the hire fleet under the name of Piletec. This business is complementary to the core Groundforce offering and provides an attractive additional revenue stream.

Product research and development was particularly active including the imminent release of the latest version of our design specification software, updated to incorporate the Mechplant designs and specifications.

Fleet investment for the year totalled £1.5m (2001: £1.1m).

### Airpac

Offshore experienced a slow start to the year in the North Sea sector but our renewed emphasis on the wider, international oil and gas markets has started to yield results. This aspect of the business finished the year strongly and I believe we may look forward to further gains in these markets.

Airpac Onshore continued to experience a very competitive pricing environment and against the background of unpredictable timing in any recovery in levels of demand, we have disposed of certain under-utilised assets during the period. Against this generally unhelpful trading environment we are very pleased to have been successful in securing a long-term sole supply agreement at the Devonport dockyard. This contract was secured against fierce competition on the basis of the quality of service and technical expertise that we were able to offer the client.

Fleet investment totalled £1.1m (2001: £1.8m).

## Safeforce

This small, but fast growing and innovative business has had a very successful year.

Product extensions and the recruitment of more customers to the asset management service pushed revenues and profits ahead strongly.

During the year Safeforce launched the Group's dedicated training offering, UK Training. UK Training is complimentary to the entire range of the Group's rental activities and has already established an impressive offering of courses and an extensive customer base.

Investment in fleet totalled £0.2m (2001: £0.2m.)

## HIRE STATION

Although profit before goodwill, interest and tax improved 4% to £2.8m (2001: £2.7m) and turnover rose to £33.0m (2001: £27.7m), it has nevertheless been a disappointing year in certain areas for Hire Station, marring what would otherwise have been a satisfactory year of progress and consolidation.

A number of management changes have been made to address these areas of under-performance and I am pleased to report the appointment of Andrew Makepeace as Managing Director, Hire Station. Andrew's background includes recent experience of the UK rental industry and previous time within the consumer goods market. In addition, new Regional Directors have been appointed for the South East and Northern regions. We believe that we now have a balanced senior management team combining extensive industry experience with the challenge of a fresh perspective. This team is focused on improving returns and delivering the next phase of Hire Station's ambitious growth programme.

There has also been considerable branch level activity during the year. We made two single branch acquisitions in Cardiff and Stoke which have been integrated within the Western region. We opened a further seven branches, including additional Lifting Points, and relocated, or amalgamated with larger neighbours, a further six. Three branches were closed.

Investment in hire fleet was £5.1m (2001: £6.6m).

## TORRENT TRACKSIDE

Torrent has now established itself as the leading independent provider of non-operator plant and trackside lighting services to the rail infrastructure maintenance and renewals industry. With many years experience in supplying this specialist sector, demand for Torrent's services produced strong revenue growth accompanied by an impressive increase in profits.

Profits before goodwill, interest and tax rose by 50% to £1.8m (2001: £1.2m) on revenues ahead by 41% to £8.2m (2001: £5.8m).

The uncertainties regarding the future structure of the rail industry have not yet materially impacted routine, day-to-day maintenance activity but they have, in certain areas added to the delays already affecting some of the larger scale capital investment projects. We hope that an early clarification of the future structure of the industry will enable the investment necessary, to provide an effective rail network, to take place.

Investment in the hire fleet was £1.8m (2001: £1.1m).

## EMPLOYEES

Three years ago we launched a continuing series of employee-wide Save-As-You-Earn share option schemes. The first of these has now matured and I am very pleased that the performance of the share price over the past twelve months means that participating employees, together with shareholders in general, stand to benefit.

The single most important differentiating factor in a high-contact, service industry such as ours is the attitude and skill level of frontline operational staff. We are committed to maintaining this advantage by recruiting, retaining and developing the best staff in the business and my thanks go to all of them for their contribution this past year.

## PROSPECTS

The year we are now reporting is the first set of full year results following our withdrawal from traditional, general plant hire.

A positive consequence of the scale of the changes that the Group has undergone is that there is now within the Group both a broad recognition of the need for continuous change in response to business challenges and, most importantly, the capability and resilience to meet these challenges.

We believe we now have an attractive mix of specialist rental activities enjoying strong market positions and capable of generating acceptable levels of both growth and return on capital employed. As such, we view the future with confidence.

Jeremy Pilkington 11 June 2002

## SUMMARY OF RESULTS

Group turnover increased by 12% to £66.8m in the year (2001: £59.8m) generating operating profit before goodwill amortisation of £7.2m (2001: £4.3m) an increase of 67% against prior year.

## SHAREHOLDERS' RETURN

The earnings per share increased from 5.03p to 10.23p. The Board is recommending a final dividend of 2.8p per share making a total for the year of 4.2p. The cost of the total dividend of £1.8m is covered 2.4 times by profits. The net asset value per share at 31 March 2002 is 101p compared with 95p in the prior year.

## CASH FLOW

The Group continued to produce strong net cash inflows from operating activities totalling £15.1m (2001: £10.9m). In cash flow terms, gross capital expenditure in the period was £13.5m (2001: £18.8m). Disposal of fixed assets was a significant cash contributor at £8.3m (2001: £18.5m) giving a net cash outflow on capital expenditure of £5.2m (2001: £0.3m). The net cost of acquisitions during the year was £3.4m (2001: £1.2m).

## ACQUISITIONS

The Group made three acquisitions in the year. There were two small bolt-on acquisitions for our tool hire business Hire Station. We also acquired the shoring activity of Mechplant Limited for a cash consideration of £3.1m. This activity has been successfully integrated into Groundforce.

## NET DEBT AND INTEREST

Net debt at the year end totalled £10.6m (2001: £12.8m) and the gearing reduced to 23% (2001: 29%). The funding requirement to support the capital investment and acquisitions in the period was generated from the organic cash flow of the Group.

Bank debt funding increased from £5.2m to £7.3m during the year. Bank debt consists of a £8.0m medium term floating rate loan and a £0.4m medium term loan repayable over 5 years less cash at bank. In addition, the Group has an overdraft facility which operates on a floating rate basis. Net debt also includes loan notes totalling £1.9m issued in relation to acquisitions. £1.3m of the loan notes are guaranteed and the remainder have no guarantee attaching.

The balance of the net debt of £1.3m (2001: £4.5m) related to fixed rate finance lease and hire purchase agreements.

During the year the Company entered into an interest rate swap agreement which fixed the interest rate on £4m of the floating rate debt for a period of five years, with a bank only break option after three years.

## TREASURY

The Group's financial instruments comprise bank borrowings, liquid cash resources and various items such as trade debtors, trade creditors, etc. that have arisen directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments relate to interest rates and liquidity. The Board regularly reviews the interest rate and liquidity position of the Group.

The Group finances its operations by a mixture of retained profits, bank borrowings, finance lease and hire purchase. The Group has no borrowings or deposits in foreign currency. At the year end 50% of Group debt was at fixed interest rates (finance lease, hire purchase and bank loan) and 50% on floating interest rates (overdraft, bank loans and loan notes). The fixed interest rate element of the bank loans is a result of the interest rate swap noted above. The Group had short term cash deposits at 31 March 2002. It is the Board's policy to continually review the interest rate risk position and the Group will continue to underpin a significant element of its debt going forward by way of fixed interest rate instruments.

Further liquidity is achieved from the finance lease and hire purchase facilities which have terms of up to 5 years. Short term flexibility for running the Group is achieved via the overdraft facilities.

The Group net interest charge was £0.7m (2001: £1.0m) after interest on finance leases of £0.2m (2001: £0.4m). Interest cover increased to 9.49 (2001: 3.92) at the year end.

The numeric disclosures required by FRS13 are set out in notes 17 and 18. As permitted by FRS13 short-term debtors and creditors have been excluded from such disclosure.

## SHAREHOLDERS' FUNDS

Group shareholders' funds at the year end totalled £46.5m (2001: £43.8m restated for FRS19). Shareholders' funds includes capitalised goodwill totalling £5.4m which is being amortised over its estimated useful life of 20 years. The goodwill relating to acquisitions made during the year totalled £0.8m.

## ACCOUNTING POLICIES

As reported in the interim statements, the new Financial Reporting Standard 19, relating to Deferred Taxation, has been adopted in our results for the year to 31 March 2002, a change to previous accounting policy. A prior year adjustment of £3.6m has been made through reserves to reflect the adoption of FRS19.

## TAXATION

The group taxation charge of £1.7m (2001: £0.8m restated for FRS19) represents an effective tax rate of 27% (2001: 27%) on the profit before tax for the year.

The low effective rate has arisen primarily due to the impact of writing back over provisions for the corporation tax in prior years and a detailed reconciliation of the factors affecting the tax charge is shown in Note 8 to the financial statements.

The Directors of Vp plc present their annual report and the audited financial statements for the year ended 31 March 2002.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Group is equipment rental and associated services conducted almost entirely in the United Kingdom.

A review of the development of the business and the current trading position is provided in the Chairman's Statement and the Financial Review.

## DIVIDEND

The Directors propose a final dividend of 2.80 pence (2001: 2.65 pence) per share. Subject to approval at the Annual General Meeting, shareholders will receive a total dividend for the year of 4.20 pence (2001: 4.05 pence) per share, a total charge, net of waived dividends, of £1,837,000 (2001: £1,768,000).

The final dividend will be paid to shareholders on the register of members of the Company on 6 September 2002 and it is proposed that dividend warrants be posted on 1 October 2002.

## DIRECTORS

The Directors who held office during the year were as follows:

Jeremy F G Pilkington (51) has been Chairman and Chief Executive since 1981. He is a member of the Audit and Remuneration Committees.

Neil A Stothard (44) was appointed Group Finance Director in 1997. He was previously Group Finance Director of Gray Dawes Group Limited, a business travel management company and prior to that, Divisional Finance Director of TDG plc.

Barrie Cottingham (68) was appointed a non-executive Director in 1996. Until his retirement in 1995 he was a senior partner at Coopers & Lybrand. Currently, he is non-executive Chairman of SIG plc and Cattles plc, and a non-executive Director of Dew Pitchmastic plc. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Peter W Parkin (56) was appointed a non-executive Director in 2000. He is Chairman of Wheeldon Brothers Limited, a private house building company and had previously been Chairman and Chief Executive of Raine plc. He is Chairman of the Remuneration Committee and a member of the Audit Committee.

Peter Parkin retires by rotation and being eligible, offers himself for re-election. He does not have a service contract with the Company.

## DIRECTORS' INTERESTS

The interest of each Director in the shares of Group companies are shown in the Remuneration Report on pages 11 and 12.

## SHARE SCHEMES

The Group operates a SAYE share option scheme, an Approved Share Option Scheme, an Unapproved Share Option Scheme and a Long Term Incentive Plan, all of which have been approved at an Annual General Meeting.

Under the terms of the SAYE scheme invitations are made to all eligible employees and options are granted at up to 20% less than the mid market price just before invitation. At 31 March 2002 159 employees were participating in the scheme.

The approved and unapproved share option schemes are available to executive directors and employees of the Group. Options are granted under the scheme by the Remuneration Committee and entitle the holders to acquire shares at a pre-determined price, which cannot be less than the higher of the mid market price at the dealing day immediately before the date of the award and the nominal value of the shares. The 2001 awards were conditional upon the achievement of targets relating to earnings per share growth and return on capital employed.

Awards under the Long Term Incentive Plan are made to certain executives in accordance with conditions set out by the Remuneration Committee. The Long Term Incentive Plan provides reward for performance measured over a three year period commencing on the first day of the financial year in which the awards are granted. The award is exercisable after three years if the Group achieves certain performance criteria set by the Remuneration Committee. The 2001 awards were conditional upon the achievement of targets relating to earnings per share growth, return on capital employed and share price performance.

## SUBSTANTIAL SHAREHOLDERS

As at 11 June 2002 the following had notified the Company of an interest of 3% or more in the Company's issued ordinary share capital.

| | Number of Ordinary Shares | Percentage of Issued Ordinary Shares % |
|---|---|---|
| Ackers P Investment Company | 23,684,876 | 51.28 |
| J P Morgan Fleming Asset Management (UK) Limited | 6,287,405 | 13.61 |
| Acorn Income Fund Limited | 3,441,996 | 7.45 |
| Vibroplant Employee Trust | 2,552,274 | 5.53 |

Mr Pilkington is a Director of Ackers P Investment Company which is the holding company of Vp plc.

## EMPLOYEES

The Directors are committed to maintaining effective communication with employees on matters which affect their occupations and future prospects while at the same time increasing their awareness of the Group's overall activities and performance.

It is the policy of the Group to employ and train disabled people whenever their skills and qualifications allow and suitable vacancies are available. If existing employees become disabled, every effort is made to find them appropriate work and training is provided if necessary.

## POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political contributions during the year. Donations to charities amounted to £9,941.

## SUPPLIER PAYMENT POLICY

It is the Company's policy to make payment to suppliers on our standard supplier terms unless alternative terms are agreed. The Company seeks to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The number of days purchases outstanding at 31 March 2002 was 66 days (2001: 41 days). This figure fluctuates dependent on the creditor position for capital purchases at the year end.

## ANNUAL GENERAL MEETING

Resolutions will be proposed as special business to enable the Directors to continue to use their existing powers to allot unissued shares and (subject to the limits therein contained) to allot shares for cash other than to existing shareholders in proportion to their shareholding. The resolution enabling Directors to continue to allot unissued shares will be limited to the allotment of shares up to a maximum nominal amount of £690,750 which represents 29.9% of the total ordinary share capital in issue at 11 June 2002. The Board does not have any present intention of exercising such authority. The authority will expire on the date of the next Annual General Meeting after the passing of the proprosed resolution. The resolution enabling the directors to allot shares for cash other than to existing shareholders in proportion to their shareholdings will be limited to the allotment of shares up to a maximum nominal amount of £115,000 which represents 5% of the total ordinary share capital in issue at 11 June 2002. These resolutions seek to renew the authorities approved at last year's Annual General Meeting and comply with the current guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

In addition, a resolution is proposed to enable the Directors to continue to use their existing powers to purchase the company's own shares, subject to certain specific limits. Any purchase of the Company's own shares will be in line with the current guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds. The Board does not have any present intention of exercising such powers. The maximum and minimum prices that may be paid for an Ordinary Share in exercise of such powers is set out at Resolution 7(b) and 7(c) of the Notice of Meeting on page 32. The Board undertakes to shareholders that it will not exercise the ability to purchase its own shares unless to do so would result in an increase in earnings per share and is in the best interest of shareholders generally.

## CORPORATE GOVERNANCE

### The Combined Code

The Board supports the need for the highest standards of corporate governance and hence the principles of the Combined Code (the "Code"). Throughout the year the Group has complied with the provisions set out in Section 1 of the Code with the following exceptions:

- The roles of Chairman and Chief Executive are combined (Code provision A.2.1)
- Under the Articles of Association Mr Pilkington is not required to stand for re-election (Code provision A.6.2).
- Both the Remuneration and Audit committees include an executive Director (Code provision B.2.2 and D.3.1)
- Directors' remuneration does not comply with certain aspects of Schedule A. These are detailed in the Remuneration Report (Code provision B.1.6).

The reasons for these exceptions and how the Group has applied the principles in Section 1 of the Code are set out below under the four main headings of the Code.

### Directors

The Board consists of two executive and two independent non-executive Directors. The non-executive Directors have wide ranging experience from other publicly quoted companies and bring an authoritative objectivity to the Board.

Jeremy Pilkington serves as Chairman and Chief Executive. It is considered that the relatively small size of the Group makes it unnecessary and unduly expensive to split these roles. Under the Company's Articles of Association Mr Pilkington is not required to stand for re-election.

The senior non-executive Director is Barrie Cottingham. The non-executive Directors have agreements with the Company which, subject to re-election, have a fixed initial term and are renewable for a maximum of two further periods of between two and three years.

The Board meets at least six times a year and has adopted a schedule of matters reserved for its approval to ensure that it has full and effective control over appropriate financial, strategic and compliance matters. The Board is provided with all appropriate papers for each Board meeting, including the latest available management accounts. All Directors have access to the advice and services of the Company Secretary and can seek independent legal advice as appropriate.

There are also two committees of the Board: the Remuneration and Audit Committees. Each committee has specific terms of reference set by the Board. The members of these committees are as follows:

Remuneration Committee

P W Parkin - Chairman of the Committee
B Cottingham
J F G Pilkington

Audit Committee

B Cottingham - Chairman of the Committee
P W Parkin
J F G Pilkington

Both committees have a majority of non-executive Directors, however the inclusion of Jeremy Pilkington, an executive Director, is considered appropriate due to the small size of the Group and of the Board. In addition the Company does not have a Nomination Committee for this reason.

The Remuneration Committee meets formally once a year and the Audit Committee twice a year. Both Committees meet additionally as required.

## Directors' Remuneration

Details of the remuneration of each Director are provided in the Remuneration Report on pages 11 and 12. The Remuneration Report also provides full details of the Group's remuneration policy.

## Relations with Shareholders

The Board has always sought to maintain good relationships with its shareholders. It therefore understands the importance of giving both private and institutional shareholders the opportunity to raise concerns and discuss matters with the Directors. To this end meetings are held, as appropriate, with institutional investors and at the Annual General Meeting, which all Directors attend, all shareholders are given the opportunity to ask the Board any questions they wish regarding the Group.

## Accountability and Audit

The Board recognises the importance of strong internal controls and through the group internal audit function, group reporting procedures and subsidiary board meetings maintains a constant review of the operation of these controls.

As noted above, the Company has an Audit Committee to which the external auditors report. Furthermore, although the Audit Committee includes an executive Director, the non-executive members of the committee meet independently with the external auditors as required.

The Code introduced a requirement that Directors' should review the effectiveness of the Group's internal controls and report to shareholders that they have done so. The review should cover all controls including financial, operational and compliance controls and risk management.

In this regard the Board has considered the guidance of the Turnbull Committee, "Internal Control: Guidance to Directors on the Combined Code", and considers that there is in place an ongoing process to identify, evaluate and manage the Group's key risks in accordance with this guidance. This process has been in place for the year ended 31 March 2002 and up to the date of approval of these accounts. Further details are provided below in the section on Internal Control.

## INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls. The system of internal control is designed to facilitate effective and efficient operation of the business by ensuring it responds to any significant business, operational, financial, compliance and other risks it faces in achieving its objectives. It is also designed to provide reasonable assurance that the financial information within the business and for publication is timely, relevant and reliable. However, any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year the Board, in conjunction with its Audit Committee, reviewed the operation of the system of internal control. This review includes an annual assessment of the control environment of the Group as a whole, the identification of key business and financial risks and the evaluation of the effectiveness of the control procedures in place. This annual assessment is undertaken by the Group Internal Audit function in association with the operating companies and a report is presented to the Board which highlights the key risks identified in the process. As part of the ongoing process regular reports are then presented to the Board on the key risks, including any new risks identified since the previous report. These reports update the Board with the changes to the level of risk in these key areas. In addition, through the Audit Committee and Group Internal Audit, the Board monitors the ongoing compliance with control systems as well as their improvement or modification as appropriate.

Key elements of the control and review procedures employed by the Board are the annual strategic planning and budget preparation process which includes consideration of business, operational and other risks, together with approval of all material capital expenditure and contracts. Monthly financial and management accounts are reported against budget and prior year, and variances are investigated. In addition business, operational and other risks are regular agenda items at all Board meetings throughout the Group.

During the year the Group made three acquisitions. All were subject to a detailed due diligence review. Furthermore, once a new business is acquired, the Group takes appropriate steps to extend its internal controls to that company's operations.

## GOING CONCERN

As at 31 March 2002 the Group had net debt including finance leases of £10.6m. Further details of the net debt and the Group's finance facilities are provided in the Financial Review on page 7. After making enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in the preparation of the accounts.

## AUDITORS

A resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the Company.

By Order of the Board.

N A STOTHARD

Secretary 11 June 2002

## POLICY ON DIRECTORS' REMUNERATION

In framing its remuneration policy, the Board has complied with Section 1 of the Combined Code.

The Group seeks to recruit, retain and motivate executives of the highest calibre, taking into account levels of remuneration in companies of comparable size and industry orientation. The Remuneration Committee's primary role is to determine, on behalf of the Board, the remuneration of the Executive Directors. In this regard the Committee takes into consideration the interests of the Group and of its shareholders as a whole. The remuneration package consists of a basic salary, annual performance related bonus, contributions to a pension scheme and benefits in kind, typical of a Group of this size, such as a fully expensed car and permanent health insurance. The Executive Directors are entitled to an annual bonus based primarily on achievement of targets relating to the budgeted profits of the Group. The maximum bonus payable is capped at 50% of the Executive Director's basic salary. The remuneration of the non-executive Directors is set by the full board with each Director abstaining from voting in relation to his own remuneration.

## DIRECTORS' REMUNERATION

The following table shows a breakdown of the remuneration of the individual Directors for the year ended 31 March 2002:

| | Salary/Fees | Bonus | Benefits | **Total** | 2001 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | **£000** | £000 |
| J F G Pilkington | 165 | 49 | 23 | **237** | 177 |
| N A Stothard | 105 | 31 | 11 | **147** | 109 |
| B Cottingham | 22 | - | - | **22** | 20 |
| P W Parkin | 22 | - | - | **22** | 20 |
| | 314 | 80 | 34 | **428** | 326 |

## PENSIONS

Mr Pilkington is a member of the Vp Pension Scheme. Under the scheme, a Directors' category, which is non-contributory, permits individualised arrangements to be incorporated. These arrangements currently provide for an annual pension entitlement accrual of one thirtieth of final pensionable salary, up to a maximum of two thirds, which includes annual bonuses but not long-term incentive plans. Annual bonuses are included within pensionable salary in accordance with the Scheme rules. The Remuneration Committee is mindful of Schedule A of Part 2 of Section 1 of the Combined Code relating to pension contributions. Whilst current arrangements form part of existing employment contracts, this is an area that will be kept under careful review. The provisions of the Code will, subject to legal obligations, be reflected in any future arrangements.

In addition, Mr Pilkington benefits from a long-standing contractual entitlement to retire at any time after the age of 50 without actuarial reduction of pension. The present value cost to the Group of augmenting the fund to facilitate this entitlement is estimated at £736,000. However, Mr Pilkington has indicated to the Group in writing that he has no present intention of retiring before the age of 55 at the earliest. The present value cost of augmentation on the latter basis is estimated at approximately £511,000. This sum is being provided for over the relevant period.

The details of his benefits are as follows:

| | **Accumulated Total Accrued Annual Pension** | **Increase in Accrued Pension over the year** | **Increase in Transfer Value over the Year** |
|---|---|---|---|
| | **£** | **£** | **£** |
| J F G Pilkington | 84,503 | 5,020 | 48,000 |

The increase in accrued pension over the year excludes the increase for inflation.

Mr Stothard benefited from the Company making a contribution to his personal pension plan. The contribution was £10,500 (2001: £9,500).

## DIRECTORS' INTERESTS

### Shareholdings

The beneficial interests of Directors serving at the end of the year and their families, in the ordinary share capital of the Company are set out below:

| | 31 March 2002 | 1 April 2001 |
|---|---|---|
| J F G Pilkington | 8,122 | 8,122 |
| B Cottingham | 35,000 | 35,000 |
| P W Parkin | 67,500 | 67,500 |
| N A Stothard | 31,028 | 23,528 |

During the year Mr Pilkington was interested in 23,684,876 shares registered in the name of Ackers P Investment Company, a company controlled by him together with Trusts which are connected persons for the purposes of Section 346 of the Companies Act 1985.

There were no changes in the interests of the Directors between 31 March 2002 and 11 June 2002.

### Share Options

One Director, Mr Stothard, has share options and these are set out below:

| Scheme | No. of options held at 1 April 2001 | Granted | Exercised | No. of options held at 31 March 2002 | Option Price |
|---|---|---|---|---|---|
| 1998 SAYE scheme | 7,500 | - | (7,500) | - | 52p |
| 1999 SAYE scheme | 8,244 | - | - | 8,244 | 47p |
| 2000 SAYE scheme | 4,211 | - | - | 4,211 | 46p |
| Approved Share Option Scheme | 50,000 | - | - | 50,000 | 57p |

The Approved Share Option Scheme awards are subject to three year targets as described in the Directors' Report. Further details on the schemes are given in note 22.

### Long-term Incentive Plan

Ordinary shares outstanding under the terms of the Long-term Incentive Plan were:

| | At 1 April 2001 | Granted in year | At 31 March 2002 |
|---|---|---|---|
| J F G Pilkington | 125,000* | - | 125,000* |
| N A Stothard | 215,000 | 50,000 | 265,000 |

* The shares outstanding in respect of Mr Pilkington are notional shares which would be satisfied by a cash payment.

The above awards are subject to the achievement of performance targets as described in the Directors' Report on page 8.

### Service Contracts

Mr Pilkington and Mr Stothard have service contracts terminable on twelve months notice.

The non-executive Directors do not have service contracts, however they are appointed by the Company for an initial period renewable for a maximum of two further periods of between two and three years.

On behalf of the Board.

N A Stothard
Company Secretary

11 June 2002

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Vp plc

We have audited the financial statements on pages 15 to 30.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Annual Report. As described on page 13 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 9 and 10 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with 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. 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 Group'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 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 affairs of the Company and the Group as at 31 March 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds

11 June 2002

## CONSOLIDATED PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 MARCH 2002

| | Note | **2002 £000** | 2001 £000 Restated |
|---|---|---|---|
| **Turnover** | 2 | **66,847** | 59,822 |
| Cost of sales | | **(43,898)** | (41,604) |
| **Gross profit** | | **22,949** | 18,218 |
| Administrative expenses | | **(16,050)** | (14,142) |
| Operating profit before goodwill amortisation | | **7,179** | 4,305 |
| Goodwill amortisation | | **(280)** | (229) |
| **Operating profit** | 3 | **6,899** | 4,076 |
| Profit on termination of businesses | 4 | **-** | 30 |
| **Profit on ordinary activities before interest** | | **6,899** | 4,106 |
| Net interest payable | 7 | **(727)** | (1,047) |
| **Profit on ordinary activities before taxation** | | **6,172** | 3,059 |
| Taxation on profit on ordinary activities | 8 | **(1,664)** | (827) |
| **Profit for the financial year** | | **4,508** | 2,232 |
| Dividends paid and proposed | 9 | **(1,837)** | (1,768) |
| **Retained profit for the financial year** | 23 | **2,671** | 464 |
| Earnings per 5p ordinary share | 10 | **10.23p** | 5.03p |
| Diluted earnings per 5p ordinary share | 10 | **10.12p** | 5.03p |
| Earnings per 5p ordinary share before goodwill amortisation | 10 | **10.87p** | 5.55p |
| Diluted earnings per 5p ordinary share before goodwill amortisation | 10 | **10.75p** | 5.55p |
| Dividend per 5p ordinary share | 9 | **4.20p** | 4.05p |

Comparative figures have been restated to reflect the adoption of FRS 19 on deferred tax (see note 1).

The profit and loss account reflects all recognised gains and losses for current and prior year. A prior year adjustment, in relation to deferred tax, of £3,566,000 has been reflected as a recognised loss since the last Annual Report (see note 1). All operations are continuing activities as defined by FRS 3.

As a result of the integration of the acquisitions into the existing businesses, including the transfer of assets between depots, it is not possible to disclose separately the effect of the acquired businesses on the Group results for the year.

A reconciliation of the movement in consolidated shareholders' funds is provided in note 24.

### Note of Consolidated Historical Cost Profits and Losses

| | **2002 £000** | 2001 £000 Restated |
|---|---|---|
| Reported profit on ordinary activities before taxation | **6,172** | 3,059 |
| Realisation of property revaluation gains from previous years | **281** | 114 |
| Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | **9** | 12 |
| Historical cost profit on ordinary activities before taxation | **6,462** | 3,185 |
| Historical cost profit for the year retained after taxation, minority interest and dividends | **2,961** | 590 |

| | Note | 2002 £000 | 2002 £000 | 2001 £000 | 2001 £000 Restated |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets - goodwill | 11 | **5,388** | | 4,889 | |
| Tangible assets | 12 | **51,024** | | 51,183 | |
| Investments - own shares | 13 | **1,521** | | 1,130 | |
| | | | **57,933** | | 57,202 |
| **Current assets** | | | | | |
| Stocks | 14 | **2,293** | | 2,277 | |
| Debtors | 15 | **16,792** | | 15,191 | |
| Cash at bank and in hand | | **1,050** | | 1,270 | |
| | | **20,135** | | 18,738 | |
| **Creditors:** amounts falling due within one year | 16 | **(18,569)** | | (25,337) | |
| **Net current assets / (liabilities)** | | | **1,566** | | (6,599) |
| **Total assets less current liabilities** | | | **59,499** | | 50,603 |
| **Creditors:** amounts falling due after more than one year | 17 | | **(8,704)** | | (2,344) |
| **Provisions for liabilities and charges** | 19 | | **(4,270)** | | (4,399) |
| **Net assets** | | | **46,525** | | 43,860 |
| **Equity capital and reserves** | | | | | |
| Called up share capital | 21 | | **2,309** | | 2,309 |
| Share premium account | 23 | | **16,192** | | 16,192 |
| Revaluation reserve | 23 | | **1,230** | | 1,520 |
| Profit and loss account | 23 | | **26,767** | | 23,812 |
| **Equity shareholders' funds** | | | **46,498** | | 43,833 |
| **Equity minority interests** | 25 | | **27** | | 27 |
| | | | **46,525** | | 43,860 |

Comparative figures have been restated to reflect the adoption of FRS 19 on deferred tax (see note 1).

These financial statements were approved by the Board of Directors
on 11 June 2002 and were signed on its behalf by:

**J F G PILKINGTON**
Chairman

**N A STOTHARD**
Director

## PARENT COMPANY BALANCE SHEET AT 31 MARCH 2002

| | Note | 2002 £000 | 2002 £000 | 2001 £000 | 2001 £000 Restated |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets – goodwill | 11 | **661** | | - | |
| Tangible assets | 12 | **33,046** | | 33,640 | |
| Investments | 13 | **15,826** | | 15,491 | |
| | | | **49,533** | | 49,131 |
| **Current assets** | | | | | |
| Stocks | 14 | **488** | | 474 | |
| Debtors | 15 | **18,080** | | 17,920 | |
| Cash at bank and in hand | | **9** | | 860 | |
| | | **18,577** | | 19,254 | |
| **Creditors:** amounts falling due within one year | 16 | **(19,042)** | | (26,178) | |
| **Net current liabilities** | | | **(465)** | | (6,924) |
| **Total assets less current liabilities** | | | **49,068** | | 42,207 |
| **Creditors:** amounts falling due after more than one year | 17 | | **(8,287)** | | (1,300) |
| **Provisions for liabilities and charges** | 19 | | **(3,691)** | | (3,707) |
| **Net assets** | | | **37,090** | | 37,200 |
| **Equity capital and reserves** | | | | | |
| Called up share capital | 21 | | **2,309** | | 2,309 |
| Share premium account | 23 | | **16,192** | | 16,192 |
| Revaluation reserve | 23 | | **1,230** | | 1,520 |
| Profit and loss account | 23 | | **17,359** | | 17,179 |
| **Equity shareholders' funds** | | | **37,090** | | 37,200 |

Comparative figures have been restated to reflect the adoption of FRS 19 on deferred tax (see note 1).

These financial statements were approved by the Board of Directors
on 11 June 2002 and were signed on its behalf by:

**J F G PILKINGTON**
Chairman

**N A STOTHARD**
Director

| | Note | 2002 £000 | 2002 £000 | 2001 £000 | 2001 £000 |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | 31 | | **15,087** | | 10,856 |
| **Return on investments and servicing of finance** | | | | | |
| Interest paid | | **(354)** | | (564) | |
| Interest received | | **22** | | 16 | |
| Interest element of finance lease rental payments | | **(321)** | | (444) | |
| **Net cash outflow from returns on investments and servicing of finance** | | | **(653)** | | (992) |
| **Taxation** | | | | | |
| UK corporation tax paid | | | **(1,062)** | | (784) |
| **Capital expenditure and financial investment** | | | | | |
| Purchase of tangible fixed assets | | **(13,460)** | | (18,820) | |
| Purchase and sale of investments | | **(474)** | | (389) | |
| Sale of tangible fixed assets | | **8,273** | | 18,491 | |
| **Net cash outflow from capital expenditure and financial investment** | | | **(5,661)** | | (718) |
| **Acquisitions and disposals** | | | | | |
| Purchase of subsidiaries and businesses (net of cash and overdraft purchased) | 28 | | **(3,440)** | | (1,211) |
| **Equity dividends paid** | | | **(1,785)** | | (1,788) |
| **Cash inflow before use of liquid resources and financing** | | | **2,486** | | 5,363 |
| **Financing** | | | | | |
| Medium-term loans | | **1,874** | | (93) | |
| Loan notes | | **(1,112)** | | (57) | |
| Capital element of finance lease rental payments | | **(3,468)** | | (4,136) | |
| **Net cash outflow from financing** | | | **(2,706)** | | (4,286) |
| **(Decrease) / increase in cash in the year** | | | **(220)** | | 1,077 |

A reconciliation of the net cash flow to movement in net debt is provided in note 29 and an analysis of net debt in note 30.

## 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements. During the year the Group adopted FRS 17 Retirement Benefits (transitional arrangements) and FRS 18 Accounting Policies with no material impact. The Group also adopted FRS 19 on Deferred Tax, details are provided in the taxation policy note.

### Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules, modified to include the revaluation of certain freehold and long leasehold land and buildings.

### Basis of consolidation

The Group financial statements consolidate the financial statements of Vp plc and all its subsidiary undertakings. All subsidiary financial statements have year ends which are coterminous with those of the Company.

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost or net recoverable value. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

In accordance with Section 230 (4) of the Companies Act 1985 Vp plc is exempt from the requirement to present its own profit and loss account.

The amount of the profit / (loss) for the financial year dealt with in the financial statements of Vp plc is disclosed in note 23 to these financial statements.

### Investment in own shares

Investment in own shares is disclosed at cost less a provision for the charge, spread over time, to the Group of awarding the shares under the share option schemes, as defined in the Directors' Report, at a discount to purchase price.

### Goodwill

Goodwill represents the excess of the fair value of the consideration and associated acquisition costs in respect of investments in subsidiary undertakings or businesses over the fair value of the separable net assets acquired.

Goodwill relating to businesses acquired is capitalised as an intangible asset and amortised over its useful economic life of 20 years.

Prior to 1 April 1998, goodwill arising on consolidation was written off to reserves in the year it arose. In accordance with the transitional provisions of FRS 10 such goodwill remains eliminated against reserves. In the event that a subsidiary undertaking or business which gave rise to such goodwill is disposed of, the attributable goodwill will be charged to the profit and loss account as a component of the profit or loss on disposal.

### Tangible fixed assets

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition. In accordance with Financial Reporting Standard 15, the Group has not adopted a policy of revaluation of Land and Buildings. However, it retains the current book values for properties which have previously been revalued. Land and buildings for own use are therefore included in the financial statements at historical cost, or at Directors' valuation as at 31 March 1996.

**Depreciation**

Depreciation is provided by the Group to write off the cost or valuation of tangible assets using the following annual rates:

| | | |
|---|---|---|
| Freehold buildings | - | 2% straight line |
| Leasehold land and buildings | - | Term of lease |
| Rental equipment | - | 10% - 50% straight line depending on asset type |
| Motor vehicles | - | 25% straight line |
| Computers | - | 33% straight line |
| Fixtures, fittings and other equipment | - | 10% straight line |

No depreciation is provided on freehold land.

### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

### Leases

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental is charged to the profit and loss account on a straight line basis over the life of the lease.

### Pensions

The Group operates defined contribution and defined benefit pension schemes. The cost of pensions in respect of the defined contribution schemes is fixed in relation to the emoluments of the membership and is charged to the profit and loss account as incurred.

The pension contributions to the defined benefit scheme are assessed by a qualified actuary and charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees participating in the scheme.

### Stocks

Stocks are stated at the lower of cost or net realisable value.

### Taxation

Taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. During the year the Group has implemented FRS 19 relating to Deferred Taxation. Except where otherwise required by Financial Reporting Standards, full provision is made, without discounting, for all timing differences which have arisen but not reversed at the balance sheet date. A prior year adjustment has been made and comparative figures restated to reflect the adoption of FRS 19. The adoption of FRS 19 has had no material effect on the results for the current and prior year.

### Turnover

Turnover represents the amounts (excluding Value Added Tax) derived from the provision of goods and services to third party customers during the year.

## 2. SEGMENTAL INFORMATION

All of the Group's activities relate to equipment rental and associated services to customers mainly based within the United Kingdom. Turnover outside the United Kingdom either by source or destination is not material.

## 3. OPERATING PROFIT

| | **2002** | 2001 |
|---|---|---|
| **Operating profit is stated after charging:** | **£000** | £000 |
| Auditors' remuneration (see analysis below) | **111** | 116 |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | **9,131** | 7,928 |
| Leased | **1,275** | 1,763 |
| Amortisation of goodwill | **280** | 229 |
| Rent of land and buildings | **1,563** | 1,203 |
| Hire of other assets | **6,436** | 6,503 |
| **After crediting:** | | |
| Profit on sale of tangible fixed assets | **2,163** | 1,785 |

**Analysis of auditors' remuneration:**

| | **2002** | 2001 |
|---|---|---|
| Audit – Group auditors | **68** | 68 |
| – Other auditors | **7** | 7 |
| Tax services (paid to Group auditors and their associates) | **36** | 41 |
| | **111** | 116 |

In addition £38,000 (2001: £62,000) was paid to the Group auditors and their associates which is included in capitalised goodwill. The audit fee of the Company was £43,000 (2001: £42,000).

## 4. PRIOR YEAR EXCEPTIONAL ITEM

| The prior year profit before tax was stated after the following exceptional credit: | **2002** | 2001 |
|---|---|---|
| | **£000** | £000 |
| Profit on termination of businesses | **-** | 30 |

The exceptional prior year profit relates to the termination of part of the business and is the net of profit on disposal of general plant fleet less the termination costs associated with closing that part of the business.

## 5. STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

| | **Number of employees** | |
|---|---|---|
| | **2002** | 2001 |
| Services | **305** | 388 |
| Hire Station | **545** | 529 |
| Torrent Trackside | **96** | 82 |
| | **946** | 999 |

The aggregate payroll costs of these persons were as follows:

| | **2002** | 2001 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **18,009** | 17,296 |
| Social security costs | **1,544** | 1,545 |
| Other pension costs (see note 27) | **429** | 424 |
| | **19,982** | 19,265 |

## 6. REMUNERATION OF DIRECTORS

| | **2002** | 2001 |
|---|---|---|
| | **£000** | £000 |
| Directors' emoluments comprise the following: | | |
| Fees | **22** | 20 |
| Salaries and other emoluments | **406** | 306 |
| | **428** | 326 |
| Money purchase pension contributions | **11** | 10 |
| | **439** | 336 |

The emoluments, including the estimated monetary value of benefits in kind, but excluding pension contributions of the Chairman who was also the highest paid Director, were £237,462 (2001: £176,779).

Details of Directors' remuneration are given in the Remuneration Report on pages 11 and 12.

At no time during the year has any Director had a material interest in a contract with any company in the Group, being a contract which was significant in relation to the business of that company.

## 7. NET INTEREST PAYABLE

| | **2002** | 2001 |
|---|---|---|
| | **£000** | £000 |
| Interest payable: | | |
| On bank loans and overdrafts | **(444)** | (512) |
| Finance charges payable in respect of finance lease and hire purchase contracts | **(182)** | (444) |
| Other | **(123)** | (107) |
| | **(749)** | (1,063) |
| Interest receivable: | | |
| Bank and other interest receivable | **22** | 16 |
| | **(727)** | (1,047) |

## 8. TAXATION

| | **2002** | 2001 |
|---|---|---|
| | **£000** | £000 |
| | | Restated |
| UK Corporation tax charge at 30% (2001: 30%) | **2,079** | 902 |
| Adjustments relating to earlier years | **(286)** | (155) |
| Total current taxation | **1,793** | 747 |
| Deferred taxation | **(129)** | 80 |
| | **1,664** | 827 |

The tax credit on prior year exceptional items was £494,000.

## 8. TAXATION (continued)

| | 2002 £000 | 2001 £000 Restated |
|---|---|---|
| **Factors affecting the current tax charge for the year** | | |
| Profit on ordinary activities before tax | **6,172** | 3,059 |
| Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2001: 30%) | **1,852** | 918 |
| Effects of: | | |
| Expenses not deductible for tax purposes | **136** | 287 |
| Non-qualifying depreciation and amortisation of goodwill | **167** | 121 |
| (Profit) / loss on sale of non-qualifying assets | **(131)** | 15 |
| Gains covered by exemption / losses | **-** | (120) |
| Timing differences | **55** | (319) |
| Adjustment to tax charge in respect of previous years | **(286)** | (155) |
| Current tax charge for the year | **1,793** | 747 |

## 9. DIVIDENDS

| Ordinary shares: | | 2002 £000 | 2001 £000 |
|---|---|---|---|
| Interim paid | – 1.40p (2001: 1.40p) per share | **615** | 618 |
| Final proposed | – 2.80p (2001: 2.65p) per share | **1,222** | 1,150 |
| | | **1,837** | 1,768 |

This year's dividend charge is after dividends were waived to the value of £103,000 (2001: £102,000) in relation to shares held by the Vibroplant Employee Trust. These dividends will continue to be waived in the future.

## 10. EARNINGS PER SHARE

The calculation of earnings and diluted earnings per 5 pence ordinary share is based on a profit of £4,508,000 (2001 restated: £2,232,000) and on 44,057,076 (2001: 44,339,232) shares, being the weighted average number of shares in issue during the year. The diluted earnings per share is based on 44,556,626 (2001: 44,368,755) shares, the difference being due to the impact of share options on the calculation.

The earnings per share before goodwill amortisation is based on a profit of £4,788,000 (2001 restated: £2,461,000) calculated as follows:

| | 2002 £000 | 2002 Earnings per Share | 2001 £000 Restated | 2001 Earnings per Share Restated |
|---|---|---|---|---|
| Profit after tax | **4,508** | **10.23p** | 2,232 | 5.03p |
| Goodwill amortisation | **280** | **0.64p** | 229 | 0.52p |
| | **4,788** | **10.87p** | 2,461 | 5.55p |

## 11. INTANGIBLE FIXED ASSETS - GOODWILL

| | Group £000 | Company £000 |
|---|---|---|
| **Cost** | | |
| At beginning of year | 5,229 | - |
| Acquisitions (see note 28) | 779 | 673 |
| At end of year | 6,008 | 673 |
| **Amortisation** | | |
| At beginning of year | 340 | - |
| Charge | 280 | 12 |
| At end of year | 620 | 12 |
| **Net book value** | | |
| **At 31 March 2002** | **5,388** | **661** |
| At 31 March 2001 | 4,889 | - |

In accordance with the accounting policy for goodwill set out on page 19, goodwill arising after 1 April 1998 has been capitalised and is being amortised over its estimated useful economic life of 20 years. Goodwill arising on consolidation prior to 1 April 1998 remains eliminated against reserves.

## 12. TANGIBLE FIXED ASSETS

| | Land and buildings £000 | Rental equipment £000 | Motor vehicles £000 | Other assets £000 | Total £000 |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| **Cost or valuation** | | | | | |
| At beginning of year | 10,362 | 71,172 | 2,860 | 8,976 | 93,370 |
| Transfers between items | - | (60) | - | 60 | - |
| Additions | 575 | 12,035 | 565 | 600 | 13,775 |
| On acquisition | 494 | 2,001 | 6 | 82 | 2,583 |
| Disposals | (1,126) | (16,212) | (603) | (4,258) | (22,199) |
| At end of year | 10,305 | 68,936 | 2,828 | 5,460 | 87,529 |
| **Depreciation** | | | | | |
| At beginning of year | 1,860 | 32,329 | 1,257 | 6,741 | 42,187 |
| Transfers between items | - | (17) | - | 17 | - |
| Charge for year | 284 | 8,436 | 597 | 1,089 | 10,406 |
| On disposals | (240) | (11,237) | (385) | (4,226) | (16,088) |
| At end of year | 1,904 | 29,511 | 1,469 | 3,621 | 36,505 |
| **Net book value** | | | | | |
| **At 31 March 2002** | **8,401** | **39,425** | **1,359** | **1,839** | **51,024** |
| At 31 March 2001 | 8,502 | 38,843 | 1,603 | 2,235 | 51,183 |

| | Land and buildings £000 | Rental equipment £000 | Motor vehicles £000 | Other assets £000 | Total £000 |
|---|---|---|---|---|---|
| **COMPANY** | | | | | |
| **Cost or valuation** | | | | | |
| At beginning of year | 8,678 | 46,674 | 512 | 6,843 | 62,707 |
| Additions | 5 | 5,142 | 296 | 186 | 5,629 |
| On acquisition | 490 | 1,970 | - | 80 | 2,540 |
| Disposals | (740) | (10,876) | (181) | (4,068) | (15,865) |
| At end of year | 8,433 | 42,910 | 627 | 3,041 | 55,011 |
| **Depreciation** | | | | | |
| At beginning of year | 1,607 | 21,483 | 339 | 5,638 | 29,067 |
| Charge for year | 103 | 4,038 | 54 | 702 | 4,897 |
| On disposals | (146) | (7,729) | (56) | (4,068) | (11,999) |
| At end of year | 1,564 | 17,792 | 337 | 2,272 | 21,965 |
| **Net book value** | | | | | |
| **At 31 March 2002** | **6,869** | **25,118** | **290** | **769** | **33,046** |
| At 31 March 2001 | 7,071 | 25,191 | 173 | 1,205 | 33,640 |

The net book value of land and buildings is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **£000** | £000 | **£000** | £000 |
| Freehold | **6,665** | 7,102 | **6,406** | 6,448 |
| Long leasehold | **204** | 254 | **130** | 254 |
| Short leasehold | **1,532** | 1,146 | **333** | 369 |
| | **8,401** | 8,502 | **6,869** | 7,071 |

In accordance with Financial Reporting Standard 15, the Group has not adopted a policy of revaluation of Land and Buildings, however as permitted by the transitional arrangements in the Standard it will retain the current book values for properties which have previously been revalued. Land and Buildings are therefore included in the Financial Statements at historical cost or Directors' valuations from 31 March 1996 which were last reviewed at 31 March 1999.

If the properties had not been included in these financial statements based on valuation they would have been stated at the following amounts:

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **£000** | £000 | **£000** | £000 |
| Historical cost of land and buildings | **8,951** | 8,694 | **7,079** | 7,010 |
| Aggregate depreciation based on historical cost | **(1,780)** | (1,712) | **(1,440)** | (1,459) |
| Historical cost net book value | **7,171** | 6,982 | **5,639** | 5,551 |

The cost or valuation of land and buildings for both the Group and the Company includes £6,421,000 (2001: £7,143,000) at valuation. Other tangible fixed assets are included at cost.

The cost or valuation of land and buildings for the Group and the Company includes £3,516,000 (2001: £3,411,000) of freehold land not subject to depreciation.

Included in the total net book value of fixed assets of the Group is £4,087,000 (2001: £6,435,000) in respect of assets held under finance leases and similar hire purchase contracts, Company £2,537,000 (2001: £4,087,000). Depreciation for the year on these Group assets was £1,275,000 (2001: £1,763,000) and £708,000 (2001: £1,157,000) for the Company.

## 13. FIXED ASSET INVESTMENTS

Fixed asset investments are as follows:

| **GROUP** | **Own shares £000** |
|---|---|
| **Cost** | |
| At beginning of year | 1,216 |
| Purchases | 670 |
| Disposals | (196) |
| At end of year | 1,690 |
| **Provision** | |
| At beginning of year | 86 |
| Charge | 83 |
| At end of year | 169 |
| **Net book value** | |
| **At 31 March 2002** | **1,521** |
| At 31 March 2001 | 1,130 |

| **COMPANY** | **Subsidiaries £000** | **Own shares £000** | **Total £000** |
|---|---|---|---|
| **Cost** | | | |
| At beginning of year | 16,048 | 1,216 | 17,264 |
| Purchases | - | 670 | 670 |
| Disposals | - | (196) | (196) |
| Reduction in consideration | (56) | - | (56) |
| At end of year | 15,992 | 1,690 | 17,682 |
| **Provision** | | | |
| At beginning of year | 1,687 | 86 | 1,773 |
| Charge | - | 83 | 83 |
| At end of year | 1,687 | 169 | 1,856 |
| **Net book value** | | | |
| **At 31 March 2002** | **14,305** | **1,521** | **15,826** |
| At 31 March 2001 | 14,361 | 1,130 | 15,491 |

The provision against subsidiaries is in relation to two dormant companies.

The investment in own shares, in both the Group and Company, relates to the shares held for the SAYE scheme, Approved Share Option Scheme, Unapproved Share Option Scheme and the Long Term Incentive Plan. A further 850,000 shares were acquired during the year at prices between 65.5 pence and 84 pence. The total holding at 31 March 2002 was 2,570,274 shares at a market value of £2,364,652.

The charge represents the cost, spread over the terms of the share schemes, as defined in the Directors' Report, to the Group of awarding shares at a discount to purchase price.

The Company's principal subsidiary undertakings are:

| | Country of Registration or Incorporation | Principal Activity | Country of Principal Operation | Class and Percentage of Shares Held |
|---|---|---|---|---|
| Vibroplant Investments Limited | England | Holding Company | UK | Ordinary shares 100% |
| Cannon Tool Hire Limited | England | Tool Hire | UK | Ordinary shares 100% |
| Instant Tool Hire Limited | England | Tool Hire | UK | Ordinary shares 100% |
| Torrent Trackside Limited | England | Tool Hire | UK | Ordinary shares 100% |
| Domindo Tool Hire Limited | England | Tool Hire | UK | Ordinary shares 100% |
| Hire Station Limited | England | Tool Hire | UK | Ordinary shares 100% |
| The Handi Hire Group Limited | England | Tool Hire | UK | Ordinary shares 100% |

Further subsidiaries have not been shown because they are either not material or are dormant. Their particulars will be included in the next annual return.

## 14. STOCKS

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **£000** | £000 | **£000** | £000 |
| Raw materials and consumables | **883** | 655 | **488** | 474 |
| Finished goods and goods for resale | **1,410** | 1,622 | **-** | - |
| | **2,293** | 2,277 | **488** | 474 |

## 15. DEBTORS

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **£000** | £000 | **£000** | £000 |
| **Amounts falling due within one year** | | | | |
| Trade debtors | **15,675** | 13,554 | **6,306** | 5,111 |
| Amounts owed by subsidiary undertakings | **-** | - | **11,511** | 11,869 |
| Corporation tax recoverable | **-** | 292 | **-** | 238 |
| Advance corporation tax recoverable | **16** | 9 | **16** | 9 |
| Other debtors | **161** | 110 | **-** | 90 |
| Prepayments and accrued income | **940** | 1,226 | **247** | 603 |
| | **16,792** | 15,191 | **18,080** | 17,920 |

## 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **£000** | £000 | **£000** | £000 |
| Bank overdraft | **-** | - | **951** | - |
| Medium term bank loans | **150** | 6,150 | **-** | 6,000 |
| Obligations under finance leases and hire purchase contracts (see note 17) | **1,101** | 3,709 | **428** | 2,749 |
| Loan notes | **1,779** | 2,038 | **1,779** | 2,038 |
| Trade creditors | **9,290** | 8,333 | **3,995** | 3,616 |
| Amounts owed to subsidiary undertakings | **-** | - | **9,697** | 9,696 |
| Corporation tax | **1,099** | 653 | **74** | - |
| Other taxes and social security | **1,313** | 1,212 | **326** | 347 |
| Other creditors | **95** | 55 | **-** | - |
| Accruals and deferred income | **2,520** | 2,017 | **570** | 562 |
| Dividend proposed | **1,222** | 1,170 | **1,222** | 1,170 |
| | **18,569** | 25,337 | **19,042** | 26,178 |

## 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **£000** | £000 | **£000** | £000 |
| Medium term bank loans | **8,237** | 363 | **8,000** | - |
| Loan notes | **165** | 1,075 | **165** | 1,075 |
| Obligations under finance leases and hire purchase contracts (see below) | **180** | 767 | **-** | 86 |
| Accruals and deferred income | **122** | 139 | **122** | 139 |
| | **8,704** | 2,344 | **8,287** | 1,300 |

The maturity of obligations under finance leases and hire purchase contracts is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **£000** | £000 | **£000** | £000 |
| Within one year | **1,101** | 3,709 | **428** | 2,749 |
| In the second to fifth years | **180** | 767 | **-** | 86 |
| | **1,281** | 4,476 | **428** | 2,835 |

The Group's finance lease and hire purchase liabilities are fixed rate instruments with interest rates ranging from 5% to 9%. There is no material difference between the book value and fair value of the Group's finance lease and hire purchase liabilities.

## 18. BANK LOANS AND OVERDRAFTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **£000** | £000 | **£000** | £000 |
| Payable within one year or on demand | **150** | 6,150 | **951** | 6,000 |
| Payable within 1-2 years | **150** | 150 | **-** | - |
| Payable in 2-5 years | **8,087** | 213 | **8,000** | - |
| | **8,387** | 6,513 | **8,951** | 6,000 |

The Group's bank accounts are subject to set off arrangements covered by cross guarantees and are presented accordingly. The bank loans and overdraft are secured by a fixed and floating charge over the assets of the Group and are at variable interest rates linked to current bank base rate and LIBOR. The unutilised bank facility available to the Group is £7,500,000. There is no material difference between the book value and fair value of the Group's bank borrowings. Further details relating to the Group's funding strategy are provided in the Financial Review on page 7.

In October 2001 the Group entered into an interest rate swap agreement which fixed the interest rate on £4,000,000 of the bank debt for a period of 5 years with a bank only break option after 3 years.

## 19. PROVISIONS FOR LIABILITIES AND CHARGES

**Deferred Tax**

| **Group** | **£000** |
|---|---|
| At beginning of year | 833 |
| Prior year adjustment | 3,566 |
| As restated | 4,399 |
| Credit for the year in the profit and loss account | (129) |
| At end of year | 4,270 |

| **Company** | |
|---|---|
| At beginning of year | 666 |
| Prior year adjustment | 3,041 |
| As restated | 3,707 |
| Credit for the year in the profit and loss account | (16) |
| At end of year | 3,691 |

## 20. DEFERRED TAXATION

| | 2002 £000 | 2001 £000 Restated |
|---|---|---|
| The liability for deferred tax is analysed as follows: | | |
| Accelerated capital allowances | **4,437** | 4,595 |
| Short term timing differences | **(167)** | (196) |
| | **4,270** | 4,399 |

## 21. CALLED UP SHARE CAPITAL

| | 2002 £000 | 2001 £000 |
|---|---|---|
| **Authorised** | | |
| 60,000,000 Ordinary shares of 5 pence each | **3,000** | 3,000 |
| **Allotted, called up and fully paid** | | |
| 46,185,000 Ordinary shares of 5 pence each (2001: 46,185,000) | **2,309** | 2,309 |

## 22. SHARE OPTION SCHEMES

**SAYE Scheme**

During the year options over a further 444,797 shares were granted under the SAYE scheme at a price of 52 pence. The options under the October 1998 SAYE scheme matured during the year. The outstanding options at the year end were:

| Date of Grant | Price per share | Number of shares |
|---|---|---|
| December 1999 | 47.0p | 241,949 |
| July 2000 | 46.0p | 246,103 |
| August 2001 | 52.0p | 417,231 |
| | | 905,283 |

All the options are exercisable after 3 years. At 31 March 2002 there were 159 employees saving on average £69 per month in respect of options under the SAYE scheme.

**Approved Share Option Scheme**

Options over a further 395,000 shares were granted during the year at a price of 65 pence. The options outstanding at the year end were:

| Date of Grant | Price per share | Number of shares |
|---|---|---|
| December 1999 | 57.0p | 280,000 |
| July 2000 | 56.5p | 200,000 |
| July 2001 | 65.0p | 365,000 |
| | | 845,000 |

These options are exercisable between the third and tenth anniversary of the grant. The awards are subject to achievement of performance targets over a three year period.

**Unapproved Share Option Scheme**

Options over 30,000 shares were granted during the year at a price of 71.5 pence. The options outstanding at the year end were:

| Date of Grant | Price per share | Number of shares |
|---|---|---|
| August 2001 | 71.5p | 30,000 |
| | | 30,000 |

**Long Term Incentive Plan**

Awards were made during the year in relation to a further 50,000 shares. Shares outstanding at the year end were:

| Date of Grant | Number of shares |
|---|---|
| December 1999 | 250,000 |
| July 2000 | 90,000 |
| July 2001 | 50,000 |
| | 390,000 |

The vesting of the awards is subject to the achievement of performance targets over a three year period.

All the awards under the above schemes will be made utilising shares already owned by the Vibroplant Employee Trust.

The market value of the ordinary shares at 31 March 2002 was 92 pence (2001: 56 pence), the highest market value in the year to 31 March 2002 was 94.5 pence and the lowest 55 pence.

## 23. SHARE PREMIUM AND RESERVES

| Group | Share Premium Account £000 | Revaluation Reserve £000 | Profit and Loss Account £000 |
|---|---|---|---|
| At beginning of year | 16,192 | 1,520 | 27,378 |
| Prior year adjustment on adoption of FRS 19 | - | - | (3,566) |
| As restated | 16,192 | 1,520 | 23,812 |
| Retained profit for year | - | - | 2,671 |
| Goodwill written off | - | - | (6) |
| Realised on sale of revalued assets | - | (281) | 281 |
| Depreciation of revalued assets | - | (9) | 9 |
| At end of year | 16,192 | 1,230 | 26,767 |
| **Company** | | | |
| At beginning of year | 16,192 | 1,520 | 20,220 |
| Prior year adjustment on adoption of FRS 19 | - | - | (3,041) |
| As restated | 16,192 | 1,520 | 17,179 |
| Retained loss for year | - | - | (110) |
| Realised on sale of revalued assets | - | (281) | 281 |
| Depreciation of revalued assets | - | (9) | 9 |
| At end of year | 16,192 | 1,230 | 17,359 |

The cumulative amount of goodwill resulting from acquisitions prior to 1 April 1998 which has been written off directly to reserves is £7,403,000 (2001: £7,397,000). This amount excludes goodwill attributable to subsidiary undertakings or businesses disposed of prior to the balance sheet date.

The amount of profit for the financial year dealt with in the accounts of the Company was £1,727,000 (2001 restated: £140,000).

## 24. RECONCILIATION OF MOVEMENT IN CONSOLIDATED SHAREHOLDERS' FUNDS

| | 2002 £000 | 2001 £000 Restated |
|---|---|---|
| Profit for the financial year | **4,508** | 2,232 |
| Dividends | **(1,837)** | (1,768) |
| | **2,671** | 464 |
| Goodwill (written off) / written back | **(6)** | 300 |
| Net increase in shareholders' funds | **2,665** | 764 |
| Opening shareholders' funds (originally £47,399,000 before deducting a prior year adjustment of £3,566,000) | **43,833** | 43,069 |
| Closing shareholders' funds | **46,498** | 43,833 |

## 25. EQUITY MINORITY INTERESTS

| | Group 2002 £000 | Group 2001 £000 |
|---|---|---|
| At beginning and end of year | **27** | 27 |

## 26. COMMITMENTS

(i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

| | Group 2002 £000 | Group 2001 £000 | Company 2002 £000 | Company 2001 £000 |
|---|---|---|---|---|
| Contracted | **1,424** | 1,537 | **1,303** | 1,240 |

(ii) Annual commitments under non-cancellable operating leases are as follows:

| | 2002 Land and buildings £000 | 2002 Other £000 | 2001 Land and buildings £000 | 2001 Other £000 |
|---|---|---|---|---|
| **Group** | | | | |
| Operating leases which expire: | | | | |
| Within one year | **12** | **237** | 72 | 484 |
| In the second to fifth years inclusive | **417** | **2,423** | 208 | 2,194 |
| Over five years | **1,089** | **–** | 1,011 | - |
| | **1,518** | **2,660** | 1,291 | 2,678 |
| **Company** | | | | |
| Operating leases which expire: | | | | |
| Within one year | **-** | **116** | 4 | 285 |
| In the second to fifth years inclusive | **41** | **1,937** | – | 1,738 |
| Over five years | **287** | **–** | 216 | - |
| | **328** | **2,053** | 220 | 2,023 |

## 27. PENSION SCHEME

The Group operates defined contribution schemes and a defined benefit scheme providing benefits based on final pensionable earnings. The defined benefit scheme contains both defined benefit and defined contribution categories. The assets of the schemes are held in separate trustee administered funds.

Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employee's working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations.

The latest actuarial assessment of the defined benefit scheme was made as at 6 April 1999 using the attained age method. The main assumptions adopted for pension cost purposes were that the long term investment return would be 6% per annum, that pensionable earnings would increase by 4% per annum and that post 6 April 1997 pensions in payment would increase by 3% per annum. At 6 April 1999 the market value of the assets of the Scheme was £6,015,000 which was sufficient to cover 109% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pensions charge for the year was £429,000 (2001: £424,000). This is exclusive of £67,000 (2001: £60,000) in respect of the amortisation of surpluses of the defined benefit scheme that are recognised over 14 years, the average expected remaining service lifetime of employees.

A provision of £122,000 (2001: £139,000) is included in creditors, this being the excess of accumulated pension costs over the amount funded.

**FRS 17 Transitional Disclosure**

The Group and Company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs'. Under FRS17, 'Retirement benefits', the following transitional disclosures are required for the Group and Company.

Vp Pension Scheme is an arrangement with distinct defined benefit and defined contribution categories. The following relates solely to the defined benefit section. The last full actuarial valuation of the scheme was carried out by a qualified independent actuary as at 6 April 1999. This valuation was updated on an FRS17 basis as at 31 March 2002. The major assumptions used by the actuary were:

| | |
|---|---|
| Inflation | 3% per annum |
| Salary increases | 4% per annum |
| Rate of discount | 6% per annum |
| Pension in payment increases | 3% per annum |
| Revaluation rate for deferred pensioners | 3% per annum |

The assets of the scheme at 31 March 2002 were split as follows:

| | |
|---|---|
| Equities | 78% |
| Bonds | 17% |
| Other | 5% |

The expected long term rate of return over the following year is 6.25% for equities and 5% for bonds.

The following amounts at 31 March 2002 were measured in accordance with the requirements of FRS17:

| | |
|---|---|
| Total market value of assets | £5,637,000 |
| Present value of scheme liabilities | £6,165,000 |
| Deficit | £528,000 |

The amount of the net deficit would have a consequential effect on the reserves of the Group and the Company.

## 28. PURCHASE OF SUBSIDIARIES AND BUSINESSES

The Group acquired three businesses during the year. The details are as follows:

| Name of acquisition | Date of acquisition | Type of acquisition | Acquired by |
|---|---|---|---|
| Canton Tool Hire | 26 July 2001 | Business and assets | Domindo Tool Hire Limited |
| Mechplant (shoring business) | 17 October 2001 | Business and assets | Vp plc |
| Portelec Tool Hire | 25 October 2001 | Business and assets | Domindo Tool Hire Limited |

None of these acquisitions was individually material in Group terms and therefore the details are provided in aggregate below:

| | £000 |
|---|---|
| Fixed assets | 2,583 |
| Working capital | 15 |
| **Book and fair value of assets acquired** | 2,598 |
| Goodwill capitalised | 779 |
| **Cost of acquisitions** | 3,377 |
| **Satisfied by** | |
| Consideration paid in cash | 3,264 |
| Acquisition costs | 170 |
| Reduction in loan notes relating to a prior year acquisition | (57) |
| | 3,377 |

| **Analysis of cash flow for acquisitions** | **£000** |
|---|---|
| Consideration paid in cash | 3,264 |
| Acquisition costs capitalised | 170 |
| Acquisition costs relating to a prior year acquisition written off to reserves | 6 |
| | 3,440 |

As a result of the integration of the acquisitions into the business, including the transfer of assets between depots, it is not possible to disclose separately the trading performance of the acquisitions in the profit and loss account.

## 29. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | **2002** | 2001 |
|---|---|---|
| | **£000** | £000 |
| (Decrease) / increase in cash in the year | **(220)** | 1,077 |
| Cash outflow from movement in debt and lease finance | **2,706** | 4,286 |
| Change in net debt resulting from cash flows | **2,486** | 5,363 |
| New finance leases | **(273)** | (976) |
| New loan notes | **-** | (2,935) |
| Loan notes cancelled | **57** | - |
| Finance leases included in purchase of subsidiaries and businesses | **-** | (1,340) |
| Medium term loan included in purchase of subsidiaries and businesses | **-** | (606) |
| Movement in net debt in the year | **2,270** | (494) |
| Net debt at the start of the year | **(12,832)** | (12,338) |
| Net debt at the end of the year | **(10,562)** | (12,832) |

## 30. ANALYSIS OF NET DEBT

| | **As at 1 April 2001 £000** | **Cash Flow £000** | **Other Non-Cash Changes £000** | **As at 31 March 2002 £000** |
|---|---|---|---|---|
| Cash at bank and in hand | 1,270 | (220) | - | 1,050 |
| Medium term loans | (6,513) | (1,874) | - | (8,387) |
| Loan notes | (3,113) | 1,112 | 57 | (1,944) |
| Finance leases and hire purchase | (4,476) | 3,468 | (273) | (1,281) |
| | (12,832) | 2,486 | (216) | (10,562) |

## 31. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | **2002** | 2001 |
|---|---|---|
| | **£000** | £000 |
| Operating profit | **6,899** | 4,076 |
| Exceptional business termination costs | **-** | (939) |
| Depreciation | **10,406** | 9,691 |
| Amortisation of goodwill | **280** | 229 |
| Profit on sale of tangible fixed assets | **(2,163)** | (1,785) |
| Decrease / (increase) in stocks | **65** | (71) |
| (Increase) / decrease in debtors | **(1,889)** | 1,827 |
| Increase / (decrease) in creditors | **1,489** | (2,172) |
| Net cash inflow from operating activities | **15,087** | 10,856 |

## 32. ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Ackers P Investment Company which is the ultimate parent company registered in England. Consolidated accounts are not prepared for this company.

| | 1998 £000 Restated | 1999 £000 Restated | 2000 £000 Restated | 2001 £000 Restated | **2002 £000** |
|---|---|---|---|---|---|
| Turnover | 49,250 | 52,510 | 55,002 | 59,822 | **66,847** |
| Profit on ordinary activities before taxation | 2,188 | 3,304 | 3,429 | 3,059 | **6,172** |
| Taxation | (670) | (690) | (1,503) | (827) | **(1,664)** |
| Profit on ordinary activities after taxation | 1,518 | 2,614 | 1,926 | 2,232 | **4,508** |
| Dividends | (1,871) | (1,859) | (1,797) | (1,768) | **(1,837)** |
| Share capital | 2,309 | 2,309 | 2,309 | 2,309 | **2,309** |
| Reserves | 39,562 | 40,642 | 40,760 | 41,524 | **44,189** |
| Equity shareholders' funds | 41,871 | 42,951 | 43,069 | 43,833 | **46,498** |

**SHARE STATISTICS**

| | | | | | |
|---|---|---|---|---|---|
| Asset value per share | 91p | 93p | 93p | 95p | **101p** |
| Earnings per share | 3.29p | 5.71p | 4.26p | 5.03p | **10.23p** |
| Dividend per share | 4.05p | 4.05p | 4.05p | 4.05p | **4.20p** |
| Times covered | 0.81 | 1.41 | 1.05 | 1.24 | **2.44** |

Notice is hereby given that the thirtieth Annual General Meeting of the Company will be held at Rudding House, Rudding Park, Follifoot, Harrogate on Tuesday 10 September 2002 at 10am for the following purposes:

**As ordinary business**

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 March 2002.
2. To declare a Final Dividend.
3. To re-elect P W Parkin as a Director.
4. To re-appoint KPMG Audit Plc as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, at which the accounts are laid before the Company and to authorise the Directors to agree their remuneration.

**As special business**

To consider and, if thought fit, pass the following resolutions of which Resolution 5 will be proposed as an Ordinary Resolution and Resolutions 6 and 7 will be proposed as Special Resolutions:

5. That for the purposes of Section 80 of the Companies Act 1985 (and so that expressions defined in that Section shall bear the same meanings as in this Resolution) the Directors be, and they are, generally authorised to allot relevant securities up to a maximum nominal amount of £690,750 to such persons at such times and on such terms as they think proper during the period expiring on the date of the next Annual General Meeting after the passing of this Resolution (or any adjournment thereof) save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
6. That the Directors be and they are hereby generally authorised to allot for cash or otherwise equity securities (as defined in Section 94 of the Companies Act 1985 "the Act") of the Company pursuant to the authority conferred by Resolution 5 above as if Section 89 of the Act did not apply to such allotment provided that this power shall be limited:
   (a) to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of Ordinary Shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on the record date for such allotment but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any Stock Exchanges in any territory;
   (b) to the allotment of equity securities pursuant to the terms of any share schemes for Directors and employees of the Company or any of its subsidiaries approved by the Company in General Meeting; and
   (c) to the allotment otherwise than pursuant to subparagraphs (a) and (b) above of equity securities not exceeding in aggregate the nominal amount of £115,000

   Provided further that the authority hereby granted shall expire at the conclusion of the next Annual General Meeting after the passing of this Resolution (or any adjournment thereof) save that the Directors shall be entitled to make at any time before the expiry of the power hereby conferred any offer or agreement which might require equity securities to be allotted after the expiry of such power.
7. That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Act) of Ordinary shares of 5 pence each in the capital of the Company ("Ordinary shares") provided that:
   (a) the maximum number of Ordinary shares hereby authorised to be purchased is 4,618,500 being 10% of the issued share capital of the Company;
   (b) the minimum price which may be paid for Ordinary shares is 5 pence per Ordinary share exclusive of expenses;
   (c) the maximum price which may be paid for an Ordinary share is the amount equal to 5% above the average of the middle market quotations derived from the Stock Exchange Daily Official List for the 5 business days immediately preceding the day of purchase, exclusive of expenses;
   (d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
   (e) the Company may make a contract to purchase Ordinary shares under the authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary shares in pursuance of any such contract.

By Order of the Board.

**N A STOTHARD**
Secretary

10 July 2002

**Notes**
A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll, vote instead of him and that proxy need not also be a member. A form of proxy is enclosed for this purpose. It must be deposited at the offices of the Company's registrars not less than 48 hours before the time fixed for the meeting.

In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at the close of business on 8 September 2002 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after close of business on 8 September 2002 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

**I/We**..........................................................................................................................................................................

(BLOCK LETTERS)

**of**..........................................................................................................................................................................

..........................................................................................................................................................................

being a registered holder(s) of * ....................................... Ordinary Shares in the capital of Vp plc hereby appoint the Chairman of the Meeting, or (note 2) .................................................................. as my/our Proxy to attend and on a poll (and in the case of a Corporation on a show of hands and a poll) vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday 10 September 2002 and at any adjournment thereof. I/we request the Proxy to vote on the following resolutions as indicated.

| Resolution | | For | Against |
|---|---|---|---|
| 1. | To receive and adopt the Directors' Report and Financial Statements for the year ended 31 March 2002 | ☐ | ☐ |
| 2. | To declare a final dividend | ☐ | ☐ |
| 3. | To re-elect P W Parkin as a Director | ☐ | ☐ |
| 4. | To re-appoint KPMG Audit Plc as Auditors and to authorise the Directors to agree their remuneration | ☐ | ☐ |
| 5. | To approve the authority to allot shares | ☐ | ☐ |
| 6. | To approve the authority to disapply pre-emption rights | ☐ | ☐ |
| 7. | To approve the authority to purchase own shares | ☐ | ☐ |

Signature ................................................................................................ Date......................................................

**Notes**

1. Please indicate how you wish your vote to be cast. If you do not indicate how you wish your proxy to use your vote on any particular matter the proxy will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.
2. If you prefer to appoint some other person or persons as your proxy, strike out the words "the Chairman of the Meeting", and insert in the blank space the name or names preferred and initial the alteration. A proxy need not be a member of the Company.
3. In the case of joint holders only one need sign as the vote of the senior holder who tenders a vote will alone be counted.
4. If the member is a Corporation this form must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.
5. To be effective this Proxy must be completed, signed and must be lodged (together with any power of attorney or duly certified copy thereof under which this proxy is signed) at the offices of the Company's Registrars at Capita IRG plc, Proxy Dept., Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time appointed for the meeting.

* Insert the number of Ordinary Shares in respect of which the form of Proxy is given. If the number is not inserted, the form of Proxy will be taken to have been given in respect of all Ordinary Shares held.

THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE
Licence No. MB 122

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FIRST FOLD

Capita IRG plc
Proxy Department
P.O. Box 25
Beckenham
Kent
BR3 4BR

SECOND FOLD