

vp plc annual report & accounts 2005

# Vp plc comprises five businesses:

## **Groundforce**

Excavation support systems and specialist products for the water, civil engineering and construction industries, including:

- Groundforce Shorco – shoring products.
- Piletec – pile driving and breaking equipment.
- Stopper Specialists – pipe integrity testing products.
- Survey Technology – surveying and water flow measurement instruments.

## **UK Forks**

Rough terrain material handling equipment for industry, residential and general construction.

## **Airpac Oilfield Services**

Equipment and service providers to the international oil and gas exploration and development markets.

## **Hire Station**

Tools and specialist products for industry and construction including:

- Hire Station – tool hire products.
- Safeorce – safety and environmental products.
- Lifting Point – materials handling and lifting gear hire.

## **Torrent Trackside**

Infrastructure equipment and services for the railway renewals and maintenance industry.

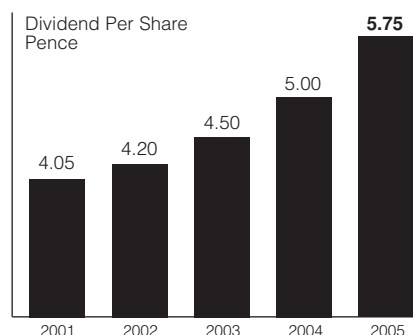
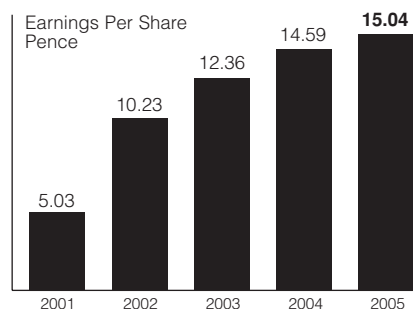
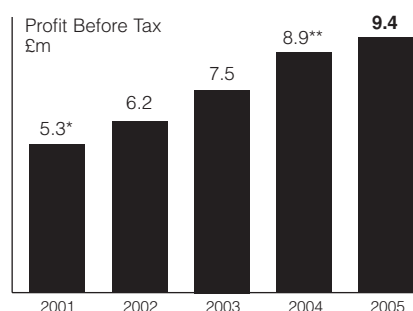
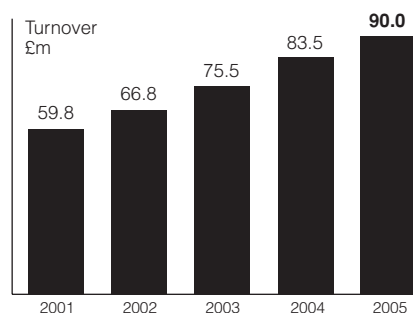
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# financial highlights

	2005	2004
Turnover	<b>£90.0m</b>	£83.5m
Profit on ordinary activities before taxation	<b>£9.4m</b>	£8.9m
Earnings per share	<b>15.04p</b>	14.59p
Dividend per share	<b>5.75p</b>	5.00p
Return on capital employed (2004 restated)	<b>16.5%</b>	15.7%
Net assets per share (2004 restated)	<b>122p</b>	112p
Net debt	<b>£2.4m</b>	£7.5m
Net debt / shareholders' funds (2004 restated)	<b>4.3%</b>	14.5%
Expenditure on rental equipment	<b>£13.4m</b>	£10.8m

Certain of the 2004 figures above have been restated to take account of UITF38 in relation to shares held by the Vp Employee Trust.



# directors and advisors

## **Executive Directors**

Jeremy F G Pilkington, B.A. (Chairman)  
Neil A Stothard, M.A., F.C.A.  
Michael J Holt, B.A., M.B.A, F.C.A., A.M.C.T.

## **Non Executive Directors**

Barrie Cottingham, F.C.A., A.T.I.I. (Senior Non Executive Director)  
Peter W Parkin

## **Secretary**

Michael J Holt, B.A., M.B.A, F.C.A., A.M.C.T.

## **Registered Office**

Central House, Beckwith Knowle,  
Otley Road, Harrogate, North Yorkshire, HG3 1UD  
Registered in England: No 481833  
Telephone: 01423 533400

## **Auditors**

KPMG Audit Plc, 1 The Embankment,  
Neville Street, Leeds, West Yorkshire, LS1 4DW

## **Solicitors**

Hammonds,  
2 Park Lane, Leeds, West Yorkshire, LS3 1ES

## **Registrars and Transfer Office**

Capita Registrars, The Registry,  
34 Beckenham Road, Beckenham, Kent, BR3 4TU

## **Bankers**

National Westminster Bank Plc

## **Merchant Bankers**

N M Rothschild & Sons Limited

## **Stockbrokers**

Brewin Dolphin Securities Limited

# chairman's statement

## Results

I am very pleased to report a further year of progress for the Group. Profit before tax rose 14% (before the prior year exceptional profit on property disposals) to £9.4 million (2004: £8.2 million excluding £0.6 million exceptional profit). Turnover rose 8% to £90.0 million.

It is noteworthy that this level of revenue and profit growth has been achieved organically.

Earnings per share, similarly adjusted for the prior year exceptional, rose by 14% to 15.04 pence and return on capital employed increased to 17% (2004: 16%).

In light of this continued progress your Board is recommending a final dividend of 4.0 pence per share making a total for the year of 5.75 pence (2004: 5.0 pence), an increase of 15%. The dividend is payable on 3 October 2005 to shareholders registered as at 9 September 2005.

The Group's excellent operating cash flow has further improved our gearing position after capital investment totalling £15.1 million. Net debt at 31st March 2005 stood at £2.4 million (2004: £7.5 million), representing gearing of 4%.

The Board is committed to taking advantage of this financial strength to pursue both organic and acquisition growth opportunities as they arise.

## Overview

Vp comprises five specialist rental businesses, all sharing a core expertise in asset management. Each business explicitly seeks a market leadership position within its sector.

The primary markets we serve are:

- Civil engineering and water utilities : Groundforce
- Residential and general construction : UK Forks
- Oil and gas exploration and development – North Sea and Worldwide : Airpac Oilfield Services
- General construction, repair and maintenance : Hire Station
- Rail infrastructure support : Torrent Trackside

This breadth of market exposure provides us with the resilience to withstand the impact of adverse trading in any one individual sector.

It was very pleasing to see a number of our businesses achieve ISO 9001 quality and ISO 14001 environment accreditation during the year.

## Business performance

Groundforce has had an excellent year delivering 7% profit growth to £5.7 million on turnover of £24.6 million. UK infrastructure spending remains strong and evolving safety and regulatory regimes continue to provide us with opportunities for new product introduction. The new five year asset management plan for the water industry (AMP4) has now commenced and will help to underpin the prospects for this important sector as the work programme is rolled out.

UK Forks has produced another very satisfactory result with profits ahead by 11% at £1.4 million on turnover up by 3% to £12.8 million. UK Forks continues to experience firm demand from its core house building market as well as from general construction activity. We continue to leverage the unique business model of UK Forks and have pleasingly seen a further improvement in ROCE to 14%, being the fifth consecutive year of improvement.

Airpac Oilfield Services has focused over the last couple of years on diversifying its service offering and extending its geographical presence. This year's result shows the benefits of this strategy with profits doubling to £1.1 million on revenues ahead by 22% at £4.5 million. We expect the continued strength of the oil price to support satisfactory levels of international oil and gas exploration and development over the coming year.

At Hire Station, the loss of £0.7 million was disappointing, but almost entirely attributable to underperformance at Lifting Point, one of our newer product offerings. Lifting Point has subsequently been merged with our other specialist activity, Safeforce, and together they represent a much more viable business. The remaining tools business, after a very poor first quarter, has traded profitably with the anticipated exception of the extended Christmas and New Year holiday period. The significant measures taken by management during the year should enable Hire Station to return to profit in the new financial year.

Torrent produced a very satisfactory result in a year not without its challenges. Profits rose by 8% to £2.5 million on turnover up 15% to £13.3 million. Since the year end, Torrent learnt that its tender for the provision of maintenance plant to Network Rail had not been successful. However, Torrent's renewals workload remains buoyant and opportunities elsewhere within the rail sector, notably within London Underground, are being developed.

A more detailed commentary on these activities follows in the Business Review.

## Appointments

In July we welcomed Mike Holt to the Board as Group Finance Director. This appointment has enabled Neil Stothard, who has fulfilled this role since joining the Group in 1997, to take up his new position as Group Managing Director. The Board believe that this strengthening of the senior management team will better enable the Group to take advantage of the identified opportunities for investment and growth.

It remains my pleasurable duty to thank all members of the Group for their loyalty and hard work during the year which has contributed to the very satisfactory performance that we are now reporting.

## Outlook

Our businesses operate in a variety of dynamic economic environments which continually present challenges, occasionally setbacks, but always opportunities. Overall we believe that the outlook for the Group remains positive.

Jeremy Pilkington  
Chairman  
8 June 2005

# business review

The Group has delivered another good result for the year ended 31 March 2005 with pre-tax profits of £9.4 million. This represents growth of 14% excluding the prior year exceptional profit on property disposals. This growth is all the more impressive given that there were no significant acquisitions made in the year. Revenues grew by 8% to £90.0 million.

The strong cash generative qualities of the Group were underlined with net debt reducing by £5.1 million to £2.4 million, representing 4% gearing, after a gross capital investment of £15.1 million in the year.

The market sectors within which we operate were broadly supportive with particularly good demand from the oil and gas, civil engineering and rail sectors.

## GROUNDFORCE

*Excavation support systems and specialist products for the water, civil engineering and construction industries including Piletec - pile driving and breaking; Stopper Specialists - pipe integrity testing; Survey Technology - surveying and water flow measurement.*

Turnover	£24.6m	(2004: £19.3m)
Operating Profit	£5.7m	(2004: £5.3m)
Investment in Rental Fleet	£2.6m	(2004: £1.8m)

This was a year of further progress for Groundforce, which consolidated its position as the leading provider of ground support systems and related activities to the civil engineering and construction sectors. Revenues grew by 27% to £24.6 million, generating a 7% increase in profits to £5.7 million.

## Shoring

The shoring activity enjoyed another buoyant year with strong demand from the contractors engaged in the final year of the AMP 3 programme. In addition a number of larger civil engineering and construction projects, including Heathrow Terminal 5, delivered useful revenue growth. Groundforce also supplied a number of larger, clear-span bracing products to projects in Ireland during the year.

A key focus for operations was the streamlining of the depot structure and the rationalisation of the multiplicity of shoring products in the hire fleet resulting from our recent acquisitions. This involved selective disposal and relocation of certain product lines supported by investment in new product. We enter the new financial year with the hire fleet in excellent shape.

We anticipate that there will be some slowing down in demand for shoring products until the AMP 4 programme builds up later in 2005. Longer term, Groundforce remains very well positioned to satisfy AMP 4 demand for shoring product over the next 5 years.

The technical design team achieved ISO9001 quality accreditation in the year.

## Piletec, Stopper Specialists and Survey Technology

Piletec performed well, gaining market share and expanding its product offering to include free suspended piling hammers and sheet piles for rental and sales. A new location was opened in Oldham to provide support to Piletec's expansion in the North.

Stopper Specialists traded well and like Piletec expanded geographically, opening a new location in Leeds towards the end of the year.

Survey Technology completed its first year with the Group and is now in a position to establish itself in the market for the hire, sale and maintenance of survey equipment.

All three businesses achieved ISO 9001 quality, and ISO 14001 environmental accreditation in the year.

## UK FORKS

*Rough terrain material handling equipment for industry, residential and general construction.*

Turnover	£12.8m	(2004: £12.4m)
Operating Profit	£1.4m	(2004: £1.3m)
Investment in Rental Fleet	£3.1m	(2004: £2.5m)

UK Forks further consolidated its position as the UK's leading specialist hirer of telescopic handlers delivering 11% profit growth from a 3% increase in revenue. Return on capital employed increased to 14% in the year, continuing the trend of improving quality of earnings from this division.

The year included the challenges of intense price competition and the threat of adverse market conditions in the house building sector. In spite of this, progress was made in the general construction markets and further growth was secured in the house building sector. With the Government's objectives for widening housing opportunity and choice (PPG3) now firmly in place, sites have had to become more intensively developed

# business review

and this has led to growth in demand for the versatility of the machines at the extreme ends of the size range we offer, i.e. 4 metre and 17 metre machines.

The hire fleet grew by 10% in the year to nearly 1,200 machines.

We continue to develop relationships with a number of larger housebuilders who recognise the benefits to their businesses of the quality and consistency of service provided by the unique UK Forks central hire desk and fleet management regime.

The new financial year has started positively. We anticipate that the market will remain stable for UK Forks over the coming year and that we will continue to attract further customers to our consolidated, single source, national offering.

## AIRPAC OILFIELD SERVICES

*Equipment and service providers to the international oil and gas exploration and development markets.*

Turnover	£4.5m	(2004: £3.7m)
Operating Profit	£1.1m	(2004: £0.5m)
Investment in Rental Fleet	£0.5m	(2004: £0.5m)

Airpac enjoyed an excellent year with profits more than doubling to £1.1 million. Turnover grew to £4.5 million, an increase of 22%. Strong performances were recorded both in the North Sea and in South East Asia across all market segments.

Almost half of all revenues are now derived from non-North Sea contracts. This activity is supported from both our Singapore facility and our UK bases in Aberdeen and Great Yarmouth depending upon product availability and logistics. Our Singapore operation continues to consolidate its leading position in the well testing segment within the Asia-Pacific region and to develop our range of capabilities across other types of projects.

The oil and gas exploration market has been aided by the comparatively high oil price resulting in continued oil company spending and improved drilling rig utilisation. Well testing support operations benefited from a high level of drilling activity and the offshore structural fabric maintenance market (mainly in the North Sea) was also busy. Project related revenues were also strong, primarily generated from pipeline dewatering and drying work. This saw us provide services to a number of high profile field development projects both domestically and overseas.

It was also pleasing to see valuable contributions from other emerging applications for our specialist compressors and steam generators such as drill cuttings transportation and offshore pipework de-scaling operations. The provision of skilled operating personnel in support of our contracts was also buoyant.

During the year we attained ISO9001 and ISO14001 accreditation for our quality and environmental management systems.

The general market outlook remains positive for the oilfield services sector and our focus in the coming year will be to capitalise on the current strength of demand and to fully explore further opportunities for our services in other international markets.

## HIRE STATION

*Tools and specialist products for industry and construction, including Safeforce - safety and environmental products and Lifting Point - materials handling and lifting gear hire.*

Turnover	£34.8m	(2004: £36.5m)
Operating Loss	£(0.7)m	(2004: £(0.4)m)
Investment in Rental Fleet	£5.7m	(2004: £4.2m)

Hire Station completed a very active year of repositioning the business against a background of disappointing results. Over the period the business has been re-focussed in all the key areas of operations, hire desks, customer management and purchasing.

Whilst tools stabilised after a poor opening quarter, and Safeforce continued to develop, the Lifting Point business had a very poor year.

We enter the new financial year with a Tool Hire Division, incorporating the Hire Station One Call offering, and a Specialist Products Division, created in December 2004, incorporating Safeforce and Lifting Point under unified management.

## Tool Hire

After a difficult first quarter the financial performance of tools improved, moving into profits apart from during the extended Christmas and New Year holiday season.

The business is now organised into five regions supported by the well-established One Call central hire desk. The first



# business review

regional hire desk was launched in the North West towards the end of the year and we have seen excellent customer acceptability with year on year contract and revenue growth in this region.

## Specialist Products

At the end of 2004 the Safeforce and Lifting Point businesses were merged to form the Specialist Products division. This created a more streamlined business capable of delivering growth from its network of ten locations across the UK supported by a national hire desk. The central booking system provides the point of contact for major customers and complements the service provided at branch level. This is similar to the business model successfully adopted elsewhere within Vp.

Safeforce, still a relatively new business, produced year on year revenue growth of 33%.

Lifting Point had a very poor year and was responsible for the majority of the loss reported by Hire Station. The merger with Safeforce was vital to the creation of a cost base which the Lifting Point business could sustain going forward. This is now in place.

The combined activity has started the new financial year well and we are hopeful of a much improved performance from Specialist Products in the coming year.

With a very difficult year behind it we believe this business will provide opportunities for profit growth in the future.

## TORRENT TRACKSIDE

*Infrastructure equipment and services for the railway renewals and maintenance industry.*

Turnover	£13.3m	(2004: £11.6m)
Operating Profit	£2.5m	(2004: £2.3m)
Investment in Rental Fleet	£1.5m	(2004: £1.8m)

This has been a challenging year in the rail industry but Torrent have produced another strong performance and continued growth, with all revenue streams showing improvement. Revenues increased by 15% to £13.3 million and operating profit increased 8% to £2.5 million.

Torrent has continued to strengthen its position in the specialist rail support market by supplying a comprehensive single source solution to customers' requirements. Torrent remains the supplier of choice for most major rail contractors.

The market has changed considerably since Network Rail became the primary maintenance contractor and it was disappointing not to have been selected by Network Rail for the provision of maintenance plant. However, we are well positioned nationally to provide secondary level support to the maintenance element going forward.

Torrent has been successful in the expansion of its track renewals customer base and in London Underground related activity, where we have been engaged in the supply of plant, trackside lighting and operator training services.

Compliance continues to play a central role in our customer service and we are justifiably proud of the consistently good results we achieve in the rail industry's 'Link up' audit and certification process.

Going forward, the major renewals contractors have a clear indication of their work stream and are reducing their plant holdings and looking to the hire market to satisfy their needs. This should assist in securing our work levels over the next financial year, where we expect market activity to remain strong but competitive.

## PROSPECTS

The Group enters the new financial year with significant growth aspirations supported by a strong financial position.

**Neil Stothard**  
**Group Managing Director**  
**8 June 2005**

# financial review

## Summary of Results

Group turnover increased by 8% to £90.0m (2004: £83.5m). The increase principally relates to organic growth with the benefit from a full year of turnover on last years' acquisitions being largely offset by the closure of a number of branches within Hire Station.

Operating profits increased by 12% to £9.7m (2004: £8.7m), and operating margins increased slightly to 10.8% (2004: 10.4%).

The performances of the individual business units within the group are reported in note 2 to the financial statements.

## Shareholders' Return

The key financial measures for the board are the growth of earnings per share and the return on the capital employed in the business. The group reported further progress on both of these measures in the year.

Earnings per share increased from 14.59 pence to 15.04 pence based on the weighted average number of shares in issue in the year of 43,374,133. Earnings per share pre-goodwill amortisation increased from 15.46 pence to 16.00 pence.

Return on capital employed is defined as profit before interest expressed as a percentage of the total net assets and net debt. Return on capital employed for the year was 16.5% (2004 restated: 15.7%).

The Board is recommending a final dividend of 4.00 pence per share making a total for the year of 5.75 pence (2004: 5.00 pence). The dividend distribution of £2.5m is covered 2.6 times by profits after tax.

The net asset value per share at 31 March 2005 is 122 pence compared with 112 pence in the prior year (restated).

## Cash Flow

Free cash flow generated by the Group is summarised below:

	2005	2004
	£m	£m
Cash flow from operating activities	20.1	16.8
Capital expenditure	(15.1)	(13.1)
Sale of fixed assets	6.0	7.4
Interest	(0.3)	(0.4)
Tax	(3.3)	(2.4)
Free cash flow	<u>7.4</u>	<u>8.3</u>

Cash flow from operating activities represented a conversion rate of 208% (2004: 194%) of operating profit before exceptional property profits. The improvement reflects increased trading volume and the continued control of working capital across the Group.

Capital expenditure of £15.1 million included £13.4 million on fleet assets, an increase of 25% on the previous year. The sale of fixed assets largely relates to the routine rebalancing of fleet assets within UK Forks and Groundforce.

## Acquisitions and Disposals

The Group only acquired one business during the year, namely the business and assets of Major Tool Hire. This was acquired by Hire Station to enhance its presence in the Greater London area. There were also some adjustments to the provisional asset values for some of the prior year's acquisitions. These movements are reflected in note 28.

## Net Debt and Interest

The change in net debt is summarised below:

	£m
Opening net debt	(7.5)
Free cash flow	7.4
Acquisitions	(0.2)
Dividends	(2.2)
Sale of own shares	0.1
Closing net debt	<u>(2.4)</u>

As a result of the reduction in net debt, gearing decreased to 4% (2004 restated: 15%).

Bank borrowings comprise a medium term loan facility of £8.0m repayable in March 2007. The Group also has an overdraft facility. The term loan is at a floating rate of interest.

In October 2001 the Company entered into an interest rate swap agreement which fixes the interest rate on £4.0m of the floating rate debt for a period of five years, with a bank only break option after three years. This option has not been exercised by the bank.

## 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 the 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 leases and hire purchase agreements. The Group has no foreign currency borrowings and no material foreign currency deposits. 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

# financial review

(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 2005. 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's net interest charge was £0.3m (2004: £0.4m). Interest cover increased to 27.9 (2004: 21.7) 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 £56.2m (2004 restated: £51.8m). Shareholders' funds include capitalised goodwill totalling £7.0m, which is being amortised over its estimated useful life of 20 years. The goodwill relating to acquisitions made during the year and adjustments to prior year's asset values totalled £0.3m.

## Accounting Policies

There have been no changes to accounting policies in the year, with the exception that the Group has amended its policies to take account of UITF 17 (Revised) and UITF 38 in relation to the cost of share options and the presentation in the balance sheet of shares held by the Vp Employee Trust. Prior year adjustments

have been made to the balance sheet to reflect the adoption of the new standards. No prior year adjustment has been made to the profit and loss account on the basis that the difference was not material in either the current or preceding financial year.

## Taxation

The Group's effective tax charge represented 30.2% (2004: 28.5%) of the profit before tax. The underlying tax rate, excluding the release of over provisions from prior years, was 32.9% (2004: 31.4%). This is marginally higher than the corporation tax rate of 30% principally due to tax disallowable provisions for pension costs. A detailed reconciliation of factors affecting the tax charge is shown in note 8 to the Financial Statements.

## International Financial Reporting Standards (IFRS)

In June 2002, the European Union approved the application of IFRS for all listed groups for accounting periods starting on or after 1 January 2005. As a result, the Group will apply IFRS for the year ending 31 March 2006. The primary effects on IFRS on the Group are expected to be:

- The introduction of pension accounting rules which broadly follow FRS17;
- The cessation of amortisation of goodwill which will become subject to an annual review for impairment;
- The requirement to reflect a charge in the profit and loss account based on a theoretical valuation model for share-based incentives rather than use the actual cost of shares as a basis for the charge.

**Mike Holt**  
**Group Finance Director**  
**8 June 2005**

# directors' report

The Directors of Vp plc present their annual report and audited financial statements for the year ended 31 March 2005.

## Principal activities and business review

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

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

## Dividend

The Directors are proposing a final dividend of 4.00 pence (2004: 3.40 pence) per share. Subject to approval at the Annual General Meeting, shareholders will receive a total dividend for the year of 5.75 pence (2004: 5.00 pence) per share. This equates to a total charge of £2,502,000 (2004: £2,142,000) net of waived dividends as referred to in note 9 to the financial statements.

The final dividend will be paid to shareholders on the register of members of the Company at 9 September 2005 and it is proposed that dividend warrants be posted on 3 October 2005.

## Directors

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

**Jeremy Pilkington** (54) was appointed a Director of the Company in 1979 and was Chairman and Chief Executive between 1981 and 2004. Since July 2004 he has been Chairman of the Company. He is Chairman of the Nomination Committee.

**Neil Stothard** (47) joined the Group as Group Finance Director in 1997. In July 2004 he was appointed Group Managing Director. 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.

**Mike Holt** (44) joined the Group as Group Finance Director in July 2004. From 1993 until joining Vp, he held a number of senior financial positions with Rolls-Royce Group plc.

**Barrie Cottingham** (71) was appointed a Non Executive Director in 1996. He was a senior partner at Coopers & Lybrand until his retirement in 1995. He is Non Executive Chairman of Cattles plc, and a Non Executive Director of Dew Pitchmastic plc. In 2004 he retired as Non Executive Chairman of SIG plc. He is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

**Peter Parkin** (59) was appointed a Non Executive Director in 1999. He is Chairman of Wheeldon Brothers Limited, a private house building company and was previously Chairman and Chief Executive of Raine plc. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Jeremy Pilkington and Peter Parkin retire by rotation and being eligible, offer themselves for re-appointment. Jeremy Pilkington has a service contract with the Company, terminable by 12 months notice. Peter Parkin does not have a service contract with the company, although he does have a letter of engagement.

As Barrie Cottingham has been a Non Executive director for over nine years he is required under the new Combined Code to retire annually and being eligible offers himself for re-appointment. He does not have a service contract with the company, although he does have a letter of engagement.

There are three committees of the Board, these are:

### *Remuneration Committee*

Peter Parkin - Chairman of the Committee  
Barrie Cottingham

### *Audit Committee*

Barrie Cottingham - Chairman of the Committee  
Peter Parkin

### *Nomination Committee*

Jeremy Pilkington - Chairman of the Committee  
Barrie Cottingham  
Peter Parkin

## Directors' interests

The interests of each Director in the shares of Group companies are shown in the Remuneration Report on pages 14 to 17.

# directors' report

## Substantial shareholders

As at 8 June 2005 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	<b>23,684,876</b>	<b>51.28</b>
JP Morgan Asset Management (UK) Limited	<b>3,684,067</b>	<b>7.98</b>
Vp Employee Trust	<b>2,588,467</b>	<b>5.60</b>
Britel Fund Trustees Limited	<b>2,213,871</b>	<b>4.79</b>

Jeremy 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 £12,964 (2004: £26,593). The donations made in the year include sponsorship of employee driven fund raising initiatives on behalf of local and national charities.

## 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 2005 was 56 days (2004: 70 days). This figure fluctuates dependent on the creditor position for rental equipment purchases at the year end.

## Annual General Meeting

Resolutions are to be proposed as special business to enable the Directors 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 existing 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 8 June 2005. The Directors do 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 proposed resolution. The resolution enabling the directors to allot shares for cash other than to existing shareholders in proportion to their existing 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 8 June 2005. 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 ("Guidelines").

A resolution is also to be proposed to authorise the Company to purchase its own shares, subject to certain specific limits. This resolution is in accordance with the Guidelines. The Directors do 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 10(b) and 10(c) of the notice of meeting on page 44. The Directors undertake to shareholders that they will not exercise the ability to purchase the Company's own shares unless to do so would result in an increase in earnings per share and is in the best interest of shareholders generally.

# directors' report

## **Going Concern**

As at 31 March 2005 the Group had net debt including finance leases of £2.4m. Further details of the net debt and the Group's finance facilities are provided in the Financial Review on pages 9 and 10. 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.**

**M J Holt**  
**Company Secretary**  
**8 June 2005**

# remuneration report

This report sets out the Group's policy on the remuneration of Directors and provides information on Directors' remuneration for the year ended 31 March 2005. The sections on Directors' remuneration, pensions, share options and the long term incentive plan have been audited, the remaining sections are not subject to audit. A resolution will be put to shareholders at the Company's Annual General Meeting to approve this report.

## REMUNERATION POLICY

### Overview

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

The primary role of the Remuneration Committee 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 membership of this committee is set out in the Directors' Report on page 11. The policy currently applied and to be applied in future years in setting remuneration is described below.

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 package consists of a number of elements: basic salary, annual performance related bonus, long term incentive plan, share options, contributions to a pension scheme and benefits in kind. In determining the performance related incentive plans the Committee is mindful of the balance between performance and non-performance related remuneration. The remuneration of the Non Executive Directors is set by the full board with each Director abstaining from voting on his own remuneration.

In relation to service contracts it is the Committee's policy that no Executive Director should have a contract with a notice period of more than twelve months.

### Annual performance related bonus

The Executive Directors are entitled to an annual bonus based primarily on achievement of profit targets relating to the Group's performance. The maximum bonus payable is capped at 50% of the Executive Director's basic salary. The actual bonuses accrued for 2004/5 are set out in the table on page 15.

### Long term incentive plan

Under the rules of the long-term incentive plan, Executive Directors and senior management may be awarded rights to acquire shares at no cost. Each award is subject to performance conditions over a three year period. Awards up to June 2003 are subject to the achievement of a minimum compounded growth in earnings per share of 10% over a three year period, return on capital employed of between 12% and 16% and a share price greater than the net asset value per share at the end of the three year period. Since June 2003 the awards are conditional upon the achievement of growth in earnings per share over a three year period and a minimum return on capital of 12% at the end of the three year period. No awards are made if the compounded growth in earnings per share is less than 10% and the maximum award is achieved for 20% growth in earnings per share.

### Share option schemes

Under the Approved and Unapproved share option schemes, certain Executive Directors and employees of the Group are granted rights 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 awards are conditional upon the achievement of growth in earnings per share over a three year period and a minimum return on capital of 12% at the end of the three year period. No awards are made if the compounded growth in earnings per share is less than 10% and the maximum award is achieved for 15% growth in earnings per share.

### Share matching scheme

Under the share matching scheme, certain Executive Directors and senior management of the Group are granted rights to acquire shares at nil cost in proportion to the number of shares purchased from their own funds at the time of the grant. Awards are subject to the same performance conditions as the Approved and Unapproved share option schemes.

### Save as you earn scheme

Under the terms of the SAYE scheme invitations are made to all eligible employees. Options are granted at up to 20% less than the mid-market price immediately prior to invitation. At 31 March 2005 there were 215 employees (2004: 189) participating in the scheme.

### Benefits in kind

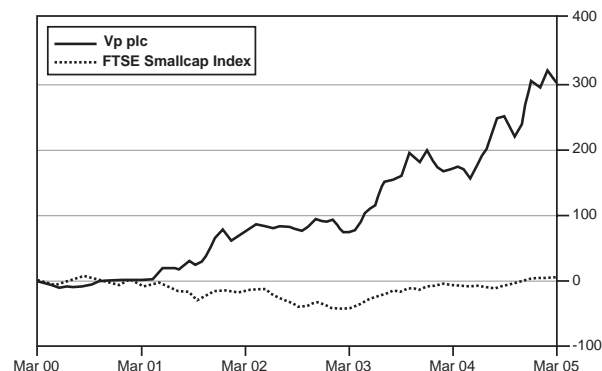
For each Executive Director these comprise a contribution to a pension scheme, a car allowance, private health insurance and permanent health insurance.

# remuneration report

## TOTAL SHAREHOLDER RETURN

The graph opposite charts the total cumulative shareholder return of the group for the 5 years to 31 March 2005 as compared with the Small Cap index, which is regarded as an appropriate benchmark for the Group's shareholders.

Total shareholder return is defined as the total return a shareholder would receive over the period inclusive of both share price growth and dividends.



## SERVICE CONTRACTS

In accordance with the Group's policy, Executive Directors have service contracts which are terminable by the Company on twelve months notice. The contracts for Jeremy Pilkington and Neil Stothard are dated 10 June 2002 and the contract for Mike Holt is dated 15 June 2004.

The Non Executive Directors do not have service contracts, however they do have letters of engagement terminable on three months notice, based on an initial period of one to two years renewable for a maximum of two further periods of either two or three years or more if regarded in the best interests of the Company. The dates of these letters are 1 March 1996 for Barrie Cottingham and 18 November 1999 for Peter Parkin.

## DIRECTORS' REMUNERATION (audited)

The details of the remuneration of Directors for the year ended 31 March 2005 are set out below:

	Salary/Fees £000	Bonus £000	Benefits £000	Total £000	2004 £000
Jeremy Pilkington	235	47	35	317	308
Neil Stothard	163	32	19	214	180
Mike Holt (appointed July 2004)	89	18	35	142	-
Barrie Cottingham	25	-	-	25	25
Peter Parkin	25	-	-	25	25
	<u>537</u>	<u>97</u>	<u>89</u>	<u>723</u>	<u>538</u>

Benefits paid to Mike Holt include relocation expenses of £25,000.

## PENSIONS (audited)

Jeremy 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 (in accordance with the Scheme rules), but not long-term incentive plans. 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, subject to legal obligations, will be reflected in any future arrangements.

In addition, Jeremy Pilkington benefits from a long-standing contractual entitlement to retire at any time after the age of 50 without actuarial reduction of pension. However, he has indicated to the Group in writing that he has no present intention of retiring before the age of 57 at the earliest. The present value cost of funding on this basis is estimated at approximately £1,127,000. This sum is being provided for over the relevant period.



# remuneration report

The details of Jeremy Pilkington's benefits are as follows:

Accrued benefit at 31 March 2005	Increase in accrued benefit	Increase in accrued benefit allowing for inflation	Transfer value of increase in accrued benefit	Transfer value of accrued benefit at 1 April 2004	Transfer value of accrued benefit at 31 March 2005	Increase in transfer value
£	£	£	£	£	£	£
151,412	31,971	28,268	355,000	1,386,000	1,902,000	516,000

The Company made the following contributions to Directors money purchase or personal pension plans.

	2005	2004
	£	£
Neil Stothard	16,250	13,000
Mike Holt	8,923	-
	<u>25,173</u>	<u>13,000</u>

## 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 2005	1 April 2004 or date of appointment
Jeremy Pilkington	2,530	8,122
Neil Stothard	65,983	50,983
Mike Holt	10,840	-
Barrie Cottingham	35,000	35,000
Peter Parkin	67,500	67,500

During the year Jeremy Pilkington was interested in 23,684,876 shares registered in the name of Ackers P Investment Company. Ackers P Investment Company is a company controlled by a number of trusts with which, for the purposes of Section 346 of the Companies Act 1985, Jeremy Pilkington is deemed a connected person.

### Share Options (audited)

Two Directors have share options and these are set out below:

Scheme	1 April 2004	Granted	Exercised	31 March 2005	Option price	Earliest exercise date	Expiry date
<b>Neil Stothard</b>							
2002 SAYE Scheme	5,205	-	-	5,205	73p	01/09/2005	01/03/2006
2003 SAYE Scheme	4,352	-	-	4,352	85p	01/09/2006	01/03/2007
2004 SAYE Scheme	-	1,713	-	1,713	110p	01/10/2007	01/04/2008
Approved Share Option Scheme	35,425	-	-	35,425	57p	23/12/2002	22/12/2009
<b>Mike Holt</b>							
2004 SAYE Scheme	-	3,427	-	3,427	110p	01/10/2007	01/04/2008
Approved Share Option Scheme	-	21,000	-	21,000	145.5p	22/07/2007	21/07/2014

# remuneration report

## Share Matching Scheme (audited)

Options held under the Share Matching Scheme were:

	1 April 2004	Granted in year	31 March 2005
Neil Stothard	7,500	2,500	10,000
Mike Holt	-	7,000	7,000

## Long-term Incentive Plan (audited)

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

	1 April 2004	Granted in year	Lapsed in year	31 March 2005	Vested shares within total	Vested in year
Jeremy Pilkington*	290,850*	200,000*	-	490,850*	70,850*	-
Neil Stothard	419,000	200,000	(4,600)	614,400	194,400	45,400
Mike Holt	-	100,000	-	100,000	-	-

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

The entitlement which lapsed during the year resulted from applying the performance criteria for the provisional Long Term Incentive Plan awards made on 23 July 2001. The vesting of the outstanding awards at 31 March 2005 is subject to the achievement of performance criteria over the relevant three year periods up to the year ended 31 March 2007.

Details of the market value of shares at the year end and the highest and lowest market values in the financial year are provided in note 22. The share price on the date of the awards made in the year was 145.5p.

There were no changes in the interests of the Directors between 31 March 2005 and 8 June 2005.

On behalf of the Board

**Mike Holt**  
Company Secretary  
8 June 2005

# corporate governance

The Board is accountable to the Company's shareholders for good governance and is committed to high standards of corporate governance throughout the Group. This statement describes how the principles identified in the Combined Code on Corporate Governance, as revised in July 2003 (the New Code), are applied by the Company.

The Board confirms that throughout the year ended 31 March 2005 the Company has been in compliance with all of the provisions of the New Code except for the following matters: prior to the appointment of Neil Stothard as Group Managing Director in July 2004, the Chairman, Jeremy Pilkington, was also the Chief Executive Officer; and the Nominations Committee was only formally established in December 2004.

## Directors

The Board consists of three Executive Directors and two Non Executive Directors, both of whom are considered by the Board to be independent. The Chairman is an Executive Director. Barrie Cottingham is the senior independent Non Executive Director. Biographies of the Board members are shown on page 11. These indicate the high level and broad range of experience that they possess.

Appropriate training for new and existing Directors is kept under review and provided where necessary. Mike Holt received a full, formal and tailored induction on joining the Board.

## The Board

The role of the Board is to maximise the long-term performance of the Group through the implementation of strategies designed to enhance shareholder value. The Board reviews strategy on a regular basis and exercises control over the performance of each operating company within the Group by agreeing budgetary targets and monitoring performance against those targets.

The roles of the Chairman and Group Managing Director are separate and clearly defined. The Group Managing Director is responsible for the operational management of the Group's business. The Chairman runs the Board and sets the strategic agenda for the Company.

The Board has five scheduled meetings each year and additional meetings are held as required. The Board has a schedule of matters reserved for its approval, including major capital expenditure, significant investments or disposals and treasury policy. In certain areas, specific responsibility is delegated to committees of the Board within defined terms of reference.

The Audit Committee has two scheduled meetings each year and the Remuneration and Nominations Committees have one each, although additional meetings are held as required.

During the year, all Directors attended the five Board meetings that were held, except that Mike Holt, who was not appointed until after the June 2004 meeting, only attended four meetings. All of the members of the respective committees attended the two Audit Committee meetings and the one Remuneration Committee meeting held during the year. Although the Nominations Committee did not meet during the year, the appointment of Mike Holt was considered and approved by the Board as a whole.

The membership of the Committees appears on page 11. Copies of the terms of reference of the Audit, Remuneration and Nominations Committees are available on the Company's web site at [www.vpplc.com](http://www.vpplc.com).

There is an agreed procedure for Directors to take independent professional advice at the Company's expense if deemed necessary for the correct performance of their duties. The Company Secretary is charged by the Board with ensuring that Board procedures are followed.

To enable the Board to function effectively and assist Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including latest available management accounts, regular business progress reports and discussion documents regarding specific matters. In addition, senior managers are regularly invited to make business presentations to the Board.

Any Director appointed during the year is required, under the provisions of the Company's articles of association, to retire and seek election by shareholders at the next Annual General Meeting. The articles also require that every Director must retire and seek re-appointment at least every three years. Jeremy Pilkington and Peter Parkin shall retire by rotation and seek re-appointment by shareholders at the next Annual General Meeting. In addition Barrie Cottingham having served nine years as a Non Executive Director on 1 March 2005 shall retire and offer himself for annual re-appointment by shareholders at the next Annual General Meeting in accordance with the New Code (A.7.2). The Board continues to regard Barrie Cottingham as independent and values his contribution to the Company.

Full details of Directors' remuneration and a statement of the Company's remuneration policy are set out in the Remuneration Report appearing on pages 14 to 17. Each Executive Director abstains from any discussion or voting at full Board meetings on Remuneration Committee recommendations which have a direct bearing on his own remuneration package. Each Executive Director's package is set by the Remuneration Committee in line with the policy adopted by the full Board.

# corporate governance

## **Communication with Stakeholders**

The Company places great importance on communication with its stakeholders.

There is regular dialogue with individual institutional shareholders as well as presentations following the interim and preliminary results. All Company announcements are published on the Company's web site and the Investor Centre now includes presentation material and other information useful to shareholders.

The Board regards the discussion of the Company's strategy as primarily part of the role of the Group Managing Director and this forms part of his regular meetings with institutional shareholders. Feedback from these meetings is provided to the Board, both by the Group Managing Director and Group Finance Director and by the Company's financial public relations advisors. The Board also regularly receives copies of analysts' reports on the Company.

The Chairman is available to shareholders at any time to discuss strategy and governance matters. While the Non Executive Directors do not ordinarily attend meetings with major shareholders, they are available if requested by shareholders.

All shareholders have the opportunity to ask questions at the Company's Annual General Meeting. All Directors are available to take questions at that meeting.

As discussed in the Directors' Report, employee communication is given high priority.

## **Going Concern**

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

## **Audit**

The primary role of the Audit Committee is to keep under review the Group's financial and other systems and controls and its financial reporting procedures. In fulfilling this role, the Committee receives and reviews work carried out by the internal and external auditors. The Company's internal audit department works to an annual programme developed in consultation with the Committee, as well as covering specific matters arising during the year.

The Audit Committee's terms of reference have recently been updated to reflect the requirements of the New Code.

The Committee keeps the scope and cost effectiveness of both the internal and external audit functions under review. This now includes an annual review of the effectiveness of the external auditor, including its quality control procedures.

The independence and objectivity of the external auditor is also considered on a regular basis, with particular regard to the level of non-audit fees. The split between audit and non-audit fees for the year to 31 March 2005 and information on the nature of the non-audit fees incurred appear in note 3 to the Financial Statements. The non-audit fees were paid in respect of assurance work (including taxation) and are considered by the Committee not to affect the independence or objectivity of the auditors. The external auditor's appointment is subject to regular review by the Committee and the lead audit partner is rotated at least every five years. The Committee also maintains a formal policy on the provision of non-audit services by the auditor which is reviewed each year. This policy prohibits the provision of certain services and requires that others are subject to prior approval by the Committee or its Chairman. All other permitted non-audit services are considered on a case by case basis.

The Committee is provided with information on all non-audit services provided by the auditor and the estimated cost of such services. The Committee monitors such costs, in the context of the audit fee for the year, in order to ensure that the value of non-audit services does not increase to a level where it has the potential to affect the auditor's objectivity and independence.

The Committee also receives an annual confirmation of independence from the auditor.

## **Internal Control**

Throughout the year, the Group has been in full compliance with the applicable provisions on internal control contained in the New Code.

The Board has overall responsibility for the Group's system of internal controls and risk management and the Audit Committee reviews and monitors the system's effectiveness on behalf of the Board at least annually. The responsibility for the system rests with the Executive Directors. The system includes an ongoing process for identifying, evaluating and managing significant business risks. However, any system can provide only reasonable and not absolute assurance of meeting internal control objectives.

The Audit Committee reports on its assessment to the Board, so that the Board can reach its own informed view on control effectiveness. The Board confirms that it has reviewed the significant risks affecting the Group and has reviewed the effectiveness of the system of internal controls during the year ended 31 March 2005 through to the date of this report.

The statement of the Directors' responsibilities in relation to the accounts appears on page 21.

# corporate and social responsibility

The Group is very aware of its corporate and social responsibilities. We therefore give careful consideration to areas such as:

- Employment
- Health and Safety
- The Environment
- The Community

In considering these areas we not only take account of the most recent legislation and best practice in each area, but also consider the wider picture or individual circumstances where appropriate.

## **Employment**

We recognise that people are one of our key assets and a very important factor in our success. It is therefore vital that we treat them with respect and ensure that proper account is taken of any issues or concerns they may have. Our employment practices, which are summarised below, take this into account.

The Group is an equal opportunities employer and therefore is committed to providing the same level of opportunity to all, regardless of creed, colour, sex, disability or sexual orientation.

Our policies and procedures are reviewed regularly and our line managers are kept up to date with any changes to employment legislation. Our policies are applied fairly and consistently with the aim of making the Group an employer who maintains a good relationship with its employees and encourages them to balance work requirements with both social and family needs.

We recognise the importance of attracting talented people to our business. Our recruitment processes are rigorous and competency based. Our aim is to recruit the best.

Retaining talented people is vital to our continued success. We therefore have an extensive training programme that commences with a detailed induction program and moves on to cover all the technical skills our employees require to carry out their roles. Management development programmes are run for all individuals new to management roles and we actively encourage and sponsor individuals to develop themselves through further education programmes. Through this process we try to ensure our people fulfil their potential to the benefit of both the individual and the Group.

## **Health and Safety**

All Group sites operate in accordance with the Group's Health and Safety and Environmental policies and procedures. These policies and procedures ensure, so far as is reasonably practicable, that the health and safety of all our employees and anyone else who is affected by our activities is appropriately safeguarded.

Furthermore, the Group is committed to developing a culture where all employees pay appropriate attention to health and safety risks to ensure that accidents and dangerous occurrences are prevented wherever possible. To this end the following actions are taken:

- Health and safety training is provided as appropriate and forms part of the induction process for all new employees.
- Health and safety is a regular agenda item at all Board meetings
- Health and Safety issues are reported, if appropriate, within the monthly divisional board reports.

In addition to these internal activities all Group locations are subject to regular health and safety audits by an independent company with appropriate reporting at both local and Group level. The same company also provides independent advice on health and safety issues and new legislation.

## **Environment**

We are very aware of the potential risks which our operations may cause to the environment. It is the Group's policy to ensure so far as is reasonably practicable, and within the scope of current best practice, that our operations are carried out in such a manner so as to minimise any adverse impact of our activities on the environment.

In order to comply with this policy the Group Health and Safety and Environmental Policy and Procedures Manual sets out the environmental responsibilities for all levels of management in the Group.

This includes items such as:

- Full compliance with all current legislation.
- Ensuring all waste is stored securely and disposed of via appropriately registered waste disposal companies.
- Ensuring that no fuel, oil or any other waste products are allowed into surface water drains or allowed to contaminate land or ground water.

During the year Groundforce and Airpac Oilfield Services gained ISO14001 accreditation.

## **Community**

We recognise that in addition to the economic benefits our trading activity brings, we have a wider social responsibility. As such we actively support both local and national charities. During the year ended 31 March 2005 we donated almost £13,000 to charities. This included support to employees participating in fund raising activities.

# statement of directors' responsibilities

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.

# auditors' report

## **Report of the independent auditors to the members of Vp plc**

We have audited the financial statements on pages 23 to 42. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the annual report and the directors' remuneration report. As described on page 21, 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 whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the corporate governance statement on pages 18 and 19 reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules, 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 the unaudited part of the directors' remuneration report, 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 and the part of the directors' remuneration report to be audited. 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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

## **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2005 and of the profit of the group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**  
**Chartered Accountants**  
**Registered Auditor**  
**Leeds**

**8 June 2005**

# consolidated profit and loss account

for the year ended 31 March 2005

	Note	2005 £000	2004 £000
<b>Turnover</b>	2	<b>90,044</b>	83,497
Cost of sales		<b>(61,958)</b>	(56,888)
<b>Gross profit</b>		<b>28,086</b>	26,609
Administrative expenses		<b>(18,383)</b>	(17,955)
Operating profit before goodwill amortisation		<b>10,132</b>	9,031
Goodwill amortisation		<b>(429)</b>	(377)
<b>Operating profit</b>	3	<b>9,703</b>	8,654
Profit on disposal of properties	4	<b>-</b>	643
<b>Profit on ordinary activities before interest</b>		<b>9,703</b>	9,297
Net interest payable and similar charges	7	<b>(348)</b>	(429)
<b>Profit on ordinary activities before taxation</b>		<b>9,355</b>	8,868
Taxation on profit on ordinary activities	8	<b>(2,831)</b>	(2,529)
<b>Profit for the financial year</b>		<b>6,524</b>	6,339
Dividends paid and proposed	9	<b>(2,502)</b>	(2,142)
<b>Retained profit for the financial year</b>	23	<b>4,022</b>	4,197
Earnings per 5p ordinary share	10	<b>15.04p</b>	14.59p
Diluted earnings per 5p ordinary share	10	<b>14.56p</b>	14.20p
Earnings per 5p ordinary share before goodwill amortisation	10	<b>16.00p</b>	15.46p
Diluted earnings per 5p ordinary share before goodwill amortisation	10	<b>15.49p</b>	15.05p
Dividend per 5p ordinary share	9	<b>5.75p</b>	5.00p

The profit and loss account reflects all recognised gains and losses for the current and prior year. All operations are continuing activities as defined by FRS 3.

As a result of the immediate integration of the acquisitions into the existing Group 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.

<b>Note of consolidated historical cost profits and losses</b>	2005 £000	2004 £000
Reported profit on ordinary activities before taxation	<b>9,355</b>	8,868
Realisation of property revaluation gains from previous years	<b>163</b>	226
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<b>6</b>	7
Historical cost profit on ordinary activities before taxation	<b>9,524</b>	9,101
Historical cost profit for the year retained after taxation, minority interest and dividends	<b>4,191</b>	4,430



# consolidated balance sheet

at 31 March 2005

	Note	2005 £000	2004 Restated £000
<b>Fixed assets</b>			
Intangible assets - goodwill	11	7,039	7,136
Tangible assets	12	<u>48,676</u>	<u>49,911</u>
		55,715	57,047
<b>Current assets</b>			
Stocks	14	2,136	2,018
Debtors	15	22,069	21,694
Cash at bank and in hand		<u>5,755</u>	<u>1,087</u>
		29,960	24,799
<b>Creditors:</b> amounts falling due within one year	16	<u>(16,925)</u>	<u>(17,384)</u>
<b>Net current assets</b>		<u>13,035</u>	<u>7,415</u>
<b>Total assets less current liabilities</b>		<u>68,750</u>	<u>64,462</u>
<b>Creditors:</b> amounts falling due after more than one year	17	(8,479)	(8,313)
<b>Provisions for liabilities and charges</b>	19	<u>(4,009)</u>	<u>(4,319)</u>
<b>Net assets</b>		<u>56,262</u>	<u>51,830</u>
<b>Equity capital and reserves</b>			
Called up share capital	21	2,309	2,309
Share premium account	23	16,192	16,192
Revaluation reserve	23	430	599
Profit and loss account	23	<u>37,304</u>	<u>32,703</u>
<b>Equity shareholders' funds</b>		<u>56,235</u>	<u>51,803</u>
Equity minority interests	25	27	27
		<u>56,262</u>	<u>51,830</u>

These financial statements were approved by the Board of Directors on 8 June 2005 and were signed on its behalf by:

**J F G Pilkington**  
Chairman

**M J Holt**  
Director

# parent company balance sheet

at 31 March 2005

		2005		2004 Restated	
	Note	£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets – goodwill	11	3,021		2,873	
Tangible assets	12	30,984		31,859	
Investments	13	<u>12,019</u>		<u>12,019</u>	
			<b>46,024</b>		46,751
<b>Current assets</b>					
Stocks	14	676		454	
Debtors	15	30,592		26,717	
Cash at bank and in hand		<u>4,216</u>		<u>9</u>	
		<b>35,484</b>		27,180	
<b>Creditors:</b> amounts falling due within one year	16	<u>(22,950)</u>		<u>(22,704)</u>	
<b>Net current assets</b>			<u>12,534</u>		<u>4,476</u>
<b>Total assets less current liabilities</b>			<b>58,558</b>		51,227
<b>Creditors:</b> amounts falling due after more than one year	17		<b>(8,479)</b>		(8,313)
<b>Provisions for liabilities and charges</b>	19		<b>(3,599)</b>		(3,878)
<b>Net assets</b>			<u>46,480</u>		<u>39,036</u>
<b>Equity capital and reserves</b>					
Called up share capital	21		<b>2,309</b>		2,309
Share premium account	23		<b>16,192</b>		16,192
Revaluation reserve	23		<b>430</b>		599
Profit and loss account	23		<b>27,549</b>		19,936
<b>Equity shareholders' funds</b>			<u>46,480</u>		<u>39,036</u>

These financial statements were approved by the Board of Directors on 8 June 2005 and were signed on its behalf by:

**J F G Pilkington**  
Chairman

**M J Holt**  
Director

# consolidated cash flow statement

for the year ended 31 March 2005

	Note	2005		2004	
		£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>	31		<b>20,148</b>		16,791
<b>Return on investments and servicing of finance</b>					
Interest paid		(479)		(435)	
Interest received		135		18	
Interest element of finance lease rental payments		(6)		(25)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(350)</b>		(442)
<b>Taxation</b>					
UK corporation tax paid			<b>(3,277)</b>		(2,407)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(15,145)		(13,068)	
Purchase and sale of investments		153		(793)	
Sale of tangible fixed assets		5,957		7,377	
<b>Net cash outflow from capital expenditure and financial investment</b>			<b>(9,035)</b>		(6,484)
<b>Acquisitions</b>					
Purchase of subsidiaries and businesses (net of cash and overdraft purchased)	28		<b>(204)</b>		(6,465)
<b>Equity dividends paid</b>			<b>(2,231)</b>		(1,984)
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>			<b>5,051</b>		(991)
<b>Financing</b>					
Medium term loans		(111)		(143)	
Loan notes		(120)		(590)	
Capital element of finance lease rental payments		(156)		(519)	
<b>Net cash outflow from financing</b>			<b>(387)</b>		(1,252)
<b>Increase/(decrease) in cash in the year</b>			<b>4,664</b>		(2,243)

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

# notes

(forming part of the financial statements)

## 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. All accounting policies are consistent with the previous year with the exception that the Group has amended its policies to take account of UITF 17 (Revised) and UITF 38 in relation to the cost of share options and the presentation in the balance sheet of shares held by the Vp Employee Trust. Prior year adjustments have been made to the balance sheet to reflect the adoption of the new standards. No prior year adjustment has been made to the profit and loss account on the basis that the difference was not material in the current and preceding financial year.

### 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.

Details of a departure from the requirements of the Companies Act are set out below in the accounting policy on investments.

### 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 parent 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 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 for the financial year dealt with in the financial statements of Vp plc is disclosed in note 23 to these financial statements.

### Investments

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.

When the Group acquires a new subsidiary and hives the business and assets of that company up into one of the Group companies or performs a reorganisation of the Group structure this can lead to net assets being transferred at their book value

which may be less than their fair value. The cost of investments in subsidiaries reflects the underlying fair value of its net assets and goodwill at the time of acquisition. Therefore, as a result of the transfers of net assets, the company's investment in subsidiaries can fall below the amount stated in the company's books. Schedule 4 to the Companies Act 1985 requires that investments be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, in these cases the Directors consider that since there has been no overall loss to the company, it would fail to give a true and fair view to charge any diminution in value to the company's profit and loss account for the year and so it should instead reallocate the diminution in value in the company's balance sheet to either goodwill or, in the case of a reorganisation, the cost of investment in the immediate subsidiary. The effect of this departure on the company's profit and loss account is shown in note 13. The Group accounts are not affected by this policy.

### Goodwill

Goodwill represents the excess of the fair value of the consideration given 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 estimated 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 FRS10 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.

### Depreciation

Depreciation is provided by the Group to write off the cost or valuation less estimated residual value 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% - 20% straight line

No depreciation is provided on freehold land.

# notes

## 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 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.

## Share Options

The cost of options, as defined by UITF17, is charged to the profit and loss account over the appropriate option periods.

## Stocks

Stocks are stated at the lower of cost and 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. Except where otherwise required by Financial Reporting Standards, full provision is to be made, without discounting for all timing differences which have arisen but not reversed at the balance sheet date.

## 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

	Turnover		Profit before Tax		Net Assets	
	2005	2004	2005	2004	2005	2004
	£000	£000	£000	£000	£000	Restated £000
Groundforce	24,629	19,262	5,729	5,333	9,508	12,060
UK Forks	12,843	12,419	1,425	1,286	11,224	10,157
Airpac Oilfield Services	4,480	3,687	1,140	533	3,188	3,024
Hire Station	34,787	36,499	(679)	(447)	19,580	19,201
Torrent Trackside	13,305	11,630	2,517	2,326	5,764	3,975
Goodwill/Group assets	-	-	(429)	(377)	9,435	10,905
	<u>90,044</u>	<u>83,497</u>	<u>9,703</u>	<u>8,654</u>	<u>58,699</u>	<u>59,322</u>
Profit on disposal of properties	-	-	-	643	-	-
Interest/net debt	-	-	(348)	(429)	(2,437)	(7,492)
Total	<u>90,044</u>	<u>83,497</u>	<u>9,355</u>	<u>8,868</u>	<u>56,262</u>	<u>51,830</u>

Group assets reflect unallocated group properties and goodwill. The costs relate to the amortisation of goodwill.

Turnover is mainly within the United Kingdom, but in the year did include £977,000 (2004: £904,000) of turnover in South East Asia by destination and £542,000 in the rest of the world. All Group turnover originates from the United Kingdom.

# notes

## 3. Operating profit

	2005 £000	2004 £000
<b>Operating profit is stated after charging:</b>		
Auditors' remuneration (see analysis below)	125	121
Depreciation and other amounts written off tangible fixed assets:		
Owned	10,959	10,748
Leased	86	432
Amortisation of goodwill	429	377
Rent of land and buildings	2,103	1,901
Hire of other assets	9,437	8,673
Cost of Hire Station reorganisation	-	522
	<u>1,190</u>	<u>1,209</u>
<b>After crediting:</b>		
Profit on sale of tangible assets	<u>1,190</u>	<u>1,209</u>
<b>Analysis of auditors' remuneration</b>		
Audit	84	80
Tax and other services (paid to Group auditors and their associates)	41	41
	<u>125</u>	<u>121</u>

In addition £43,000 (2004: £28,000) was paid to the Group auditors and their associates in relation to acquisitions which is included in the goodwill capitalised. The audit fee for the Company was £47,000 (2004: £47,000).

## 4. Prior year profit on disposal of properties

During the prior year the Group sold two properties. These transactions generated a profit of £643,000 in the year ended 31 March 2004.

## 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:

	2005	2004
<b>Number of employees</b>		
Groundforce, UK Forks, Airpac Oilfield Services and Group Head Office	412	383
Hire Station	552	627
Torrent Trackside	120	116
	<u>1,084</u>	<u>1,126</u>

### Cost

The aggregate payroll costs of these persons were as follows:

	2005 £000	2004 £000
Wages and salaries	24,614	23,578
Social security costs	2,398	2,264
Other pension costs (see note 27)	1,009	821
	<u>28,021</u>	<u>26,663</u>

# notes

## 6. Remuneration of directors

	2005 £000	2004 £000
Directors' emoluments comprise the following:		
Fees	6	25
Salaries and other emoluments	717	513
	<u>723</u>	<u>538</u>
Money purchase pension contributions	25	13
	<u>748</u>	<u>551</u>

The emoluments of the Chairman, who was also the highest paid Director, were £317,265 (2004: £307,730) including the estimated monetary value of benefits in kind, but excluding pension contributions.

Details of Directors' remuneration are given in the Remuneration Report on pages 14 to 17.

There were no material related party transactions.

## 7. Net interest payable and similar charges

	2005 £000	2004 £000
Interest payable:		
On bank loans and overdrafts	(473)	(454)
Finance charges payable in respect of finance lease and hire purchase contracts	(6)	(25)
Other	(4)	(13)
	<u>(483)</u>	<u>(492)</u>
Interest receivable:		
Bank and other interest receivable	135	63
	<u>(348)</u>	<u>(429)</u>

## 8. Taxation

	2005 £000	2004 £000
UK Corporation tax charge at 30% (2004: 30%)	3,385	2,950
Adjustments relating to earlier years	(244)	(172)
Total current taxation	<u>3,141</u>	<u>2,778</u>
Deferred taxation	(310)	(249)
	<u>2,831</u>	<u>2,529</u>

### Factors affecting the current tax charge for the year

	2005 £000	2004 £000
Profit on ordinary activities before tax	9,355	8,868
Profit on ordinary activities multiplied by standard rate of corporation tax of 30%	<u>2,807</u>	<u>2,660</u>
Effects of:		
Expenses not deductible for tax purposes	126	142
Non-qualifying depreciation and amortisation of goodwill	271	250
Loss on sale of non-qualifying assets	-	1
Gains covered by exemption / losses	(125)	(267)
Timing differences	306	164
Adjustments to tax charge in respect of previous years	(244)	(172)
Current tax charge for year	<u>3,141</u>	<u>2,778</u>

# notes

## 9. Dividends

	2005 £000	2004 £000
Ordinary shares:		
Interim paid 1.75p (2004: 1.60p) per share	762	690
Final proposed 4.00p (2004: 3.40p) per share	<u>1,740</u>	<u>1,452</u>
	<u>2,502</u>	<u>2,142</u>

This year's dividend charge is stated after waived dividends to the value of £154,000 (2004: £167,000) in relation to shares held by Vp Employee Trust. The Trustees have indicated to the Company that it is their intention that these dividends will continue to be waived in the future.

## 10. Earnings per share

The calculation of earnings per 5 pence ordinary share is based on a profit of £6,524,000 (2004: £6,339,000) and on 43,374,133 (2004: 43,444,660) shares, being the weighted average number of shares in issue during the year. The diluted earnings per share is based on 44,796,700 (2004: 44,639,699) 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 £6,941,000 (2004: £6,716,000) calculated as follows:

	2005 £000	Earnings per share	2004 £000	Earnings per share
Profit after tax	6,524	15.04p	6,339	14.59 p
Goodwill amortisation after tax	<u>417</u>	<u>0.96p</u>	<u>377</u>	<u>0.87 p</u>
Profit before goodwill and after tax	6,941	16.00p	6,716	15.46 p
Exceptional items after tax	<u>-</u>	<u>-</u>	<u>(610)</u>	<u>(1.41)p</u>
	<u>6,941</u>	<u>16.00p</u>	<u>6,106</u>	<u>14.05 p</u>

## 11. Intangible fixed assets – goodwill

	Group £000	Company £000
<b>Cost</b>		
At beginning of year	8,451	3,025
Acquisitions - see note 28	<u>332</u>	<u>298</u>
At end of year	<u>8,783</u>	<u>3,323</u>
<b>Amortisation</b>		
At beginning of year	1,315	152
Charge for the year	<u>429</u>	<u>150</u>
At end of year	<u>1,744</u>	<u>302</u>
<b>Net book value</b>		
<b>At 31 March 2005</b>	<u>7,039</u>	<u>3,021</u>
At 31 March 2004	<u>7,136</u>	<u>2,873</u>

In accordance with the accounting policy for goodwill set out on page 27, 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, details of the amounts are set out in note 23.



# notes

## 12. Tangible fixed assets

<b>GROUP</b>	<b>Land and Buildings £000</b>	<b>Rental Equipment £000</b>	<b>Motor Vehicles £000</b>	<b>Other Assets £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
At beginning of year	9,052	73,415	1,489	6,732	90,688
Additions	557	13,397	52	723	14,729
Acquisitions (see note 28)	-	(199)	-	25	(174)
Disposals	(287)	(9,896)	(626)	(694)	(11,503)
At end of year	<u>9,322</u>	<u>76,717</u>	<u>915</u>	<u>6,786</u>	<u>93,740</u>
<b>Depreciation</b>					
At beginning of year	2,452	32,754	1,044	4,527	40,777
Charge for year	504	9,495	199	847	11,045
On acquisitions (see note 28)	-	(22)	-	-	(22)
On disposals	(93)	(5,520)	(494)	(629)	(6,736)
At end of year	<u>2,863</u>	<u>36,707</u>	<u>749</u>	<u>4,745</u>	<u>45,064</u>
<b>Net book value</b>					
<b>At 31 March 2005</b>	<b><u>6,459</u></b>	<b><u>40,010</u></b>	<b><u>166</u></b>	<b><u>2,041</u></b>	<b><u>48,676</u></b>
At 31 March 2004	<u>6,600</u>	<u>40,661</u>	<u>445</u>	<u>2,205</u>	<u>49,911</u>
<b>COMPANY</b>					
	<b>Land and Buildings £000</b>	<b>Rental Equipment £000</b>	<b>Motor Vehicles £000</b>	<b>Other Assets £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
At beginning of year	6,598	42,980	663	3,645	53,886
Additions	412	6,236	48	466	7,162
Acquisitions (see note 28)	-	(401)	-	25	(376)
Disposals	(263)	(4,592)	(138)	(606)	(5,599)
At end of year	<u>6,747</u>	<u>44,223</u>	<u>573</u>	<u>3,530</u>	<u>55,073</u>
<b>Depreciation</b>					
At beginning of year	1,504	17,328	385	2,810	22,027
Charge for year	151	4,714	101	380	5,346
On acquisitions (see note 28)	-	(22)	-	-	(22)
On disposals	(69)	(2,537)	(50)	(606)	(3,262)
At end of year	<u>1,586</u>	<u>19,483</u>	<u>436</u>	<u>2,584</u>	<u>24,089</u>
<b>Net book value</b>					
<b>At 31 March 2005</b>	<b><u>5,161</u></b>	<b><u>24,740</u></b>	<b><u>137</u></b>	<b><u>946</u></b>	<b><u>30,984</u></b>
At 31 March 2004	<u>5,094</u>	<u>25,652</u>	<u>278</u>	<u>835</u>	<u>31,859</u>

# notes

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

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Freehold	<b>4,980</b>	4,812	<b>4,767</b>	4,662
Long leasehold	<b>198</b>	201	<b>125</b>	127
Short leasehold	<b>1,281</b>	1,587	<b>269</b>	305
	<b><u>6,459</u></b>	<u>6,600</u>	<b><u>5,161</u></b>	<u>5,094</u>

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 retains 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	
	2005 £000	2004 £000	2005 £000	2004 £000
Historical cost of land and buildings	<b>8,808</b>	8,367	<b>6,233</b>	5,913
Aggregate depreciation based on historical cost	<b>(2,779)</b>	(2,366)	<b>(1,502)</b>	(1,418)
Historical cost net book value	<b><u>6,029</u></b>	<u>6,001</u>	<b><u>4,731</u></b>	<u>4,495</u>

The cost or valuation of land and buildings for both the Group and the Company includes £4,381,000 (2004: £4,644,000) 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 £2,243,000 (2004: £2,306,000) of freehold land not subject to depreciation.

Included in the total net book value of fixed assets of the Group is £115,000 (2004: £599,000) in respect of assets held under finance leases and similar hire purchase contracts, Company £115,000 (2004: £499,000). Depreciation for the year on these Group assets was £86,000 (2004: £432,000) and £86,000 (2004: £282,000) for the Company.

# notes

## 13. Fixed asset investments

Fixed asset investments are as follows :

<b>Group</b>	<b>Own Shares £000</b>
<b>Cost</b>	
As previously stated	2,508
Prior year adjustments (see note 23)	<u>(2,508)</u>
Restated opening balance and balance at year end	<u>-</u>
<b>Provision</b>	
As previously stated	193
Prior year adjustments (see note 23)	<u>(193)</u>
Restated opening balance and balance at year end	<u>-</u>
<b>Net book value</b>	
<b>At 31 March 2005</b>	<u>-</u>
At 31 March 2004 as restated (see note 23)	<u>-</u>

<b>Company</b>	<b>Subsidiaries £000</b>	<b>Own Shares £000</b>	<b>Total £000</b>
<b>Cost</b>			
As previously stated	13,706	2,508	16,214
Prior year adjustment (see note 23)	<u>-</u>	<u>(2,508)</u>	<u>(2,508)</u>
Restated opening balance and balance at year end	<u>13,706</u>	<u>-</u>	<u>13,706</u>
<b>Provision</b>			
As previously stated	1,687	193	1,880
Prior year adjustment (see note 23)	<u>-</u>	<u>(193)</u>	<u>(193)</u>
Restated opening balance and balance at year end	<u>1,687</u>	<u>-</u>	<u>1,687</u>
<b>Net book value</b>			
<b>At 31 March 2005</b>	<u>12,019</u>	<u>-</u>	<u>12,019</u>
At 31 March 2004 as restated (see note 23)	<u>12,019</u>	<u>-</u>	<u>12,019</u>

In prior years the Directors' decision to reallocate the diminution in value of investments in subsidiaries, resulting from a hive up of business and assets after acquisition to goodwill or, in the case of group reorganisations, to the cost of investment in the immediate subsidiary, rather than write it off to the profit and loss account means that the Company's profit and loss account was not charged with £1,244,000 in 2004. There was no affect for 2005. The Group profit and loss is not affected by this policy.

The Company's principal subsidiary undertakings are:

	<b>Country of Registration or Incorporation</b>	<b>Principal Activity</b>	<b>Country of Principal Operation</b>	<b>Class and Percentage of Shares Held</b>
Torrent Trackside Limited	England	Rail Equipment Hire	UK	Ordinary shares 100%
Hire Station Limited	England	Tool Hire	UK	Ordinary shares 100%

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

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

# notes

## 14. Stocks

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Raw materials and consumables	493	431	388	302
Finished goods and goods for resale	1,643	1,587	288	152
	<u>2,136</u>	<u>2,018</u>	<u>676</u>	<u>454</u>

## 15. Debtors

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Trade debtors	20,634	20,045	8,584	8,773
Amounts owed by subsidiary undertakings	-	-	21,489	17,041
Corporation tax recoverable	106	-	-	-
Advance corporation tax recoverable	34	16	34	16
Other debtors	31	32	-	-
Prepayments and accrued income	1,264	1,601	485	887
	<u>22,069</u>	<u>21,694</u>	<u>30,592</u>	<u>26,717</u>

## 16. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank overdrafts (see note 18)	-	-	-	854
Medium term bank loans (see note 18)	-	111	-	-
Obligations under finance leases and hire purchase contracts (see note 17)	34	113	34	103
Loan notes	125	245	125	245
Trade creditors	8,180	9,551	4,317	4,377
Amounts owed to subsidiary undertakings	-	-	13,858	12,584
Corporation tax	1,628	1,641	1,290	1,248
Other taxes and social security	1,651	1,832	888	988
Other creditors	177	-	-	-
Accruals and deferred income	3,390	2,372	698	786
Deferred consideration	-	50	-	50
Dividend proposed	1,740	1,469	1,740	1,469
	<u>16,925</u>	<u>17,384</u>	<u>22,950</u>	<u>22,704</u>

# notes

## 17. Creditors: amounts falling due after more than one year

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Medium term bank loans (see note 18)	8,000	8,000	8,000	8,000
Obligations under finance leases and hire purchase contracts (see below)	33	110	33	110
Accruals and deferred income	446	203	446	203
	<u>8,479</u>	<u>8,313</u>	<u>8,479</u>	<u>8,313</u>

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

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Within one year	34	113	34	103
In the second to fifth years	33	110	33	110
	<u>67</u>	<u>223</u>	<u>67</u>	<u>213</u>

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	
	2005	2004	2005	2004
	£000	£000	£000	£000
Payable within one year or on demand	-	111	-	854
Payable within 1-2 years	8,000	-	8,000	-
Payable in 2-5 years	-	8,000	-	8,000
	<u>8,000</u>	<u>8,111</u>	<u>8,000</u>	<u>8,854</u>

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 pages 9 and 10.

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. The bank has not exercised this break clause.

## 19. Provisions for liabilities and charges

Deferred taxation	£000
<b>Group</b>	
At beginning of year	4,319
Credit for the year in the profit and loss account	(310)
At end of year	<u>4,009</u>
<b>Company</b>	
At beginning of year	3,878
Credit for the year in the profit and loss account	(279)
At end of year	<u>3,599</u>

# notes

## 20. Deferred taxation

The liability for deferred tax is analysed as follows:

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Accelerated capital allowances	4,380	4,526	3,943	4,067
Short term timing differences	(371)	(207)	(344)	(189)
	<u>4,009</u>	<u>4,319</u>	<u>3,599</u>	<u>3,878</u>

## 21. Called up share capital

	2005	2004
	£000	£000
<b>Authorised</b>		
60,000,000 Ordinary shares of 5 pence each	<u>3,000</u>	<u>3,000</u>
<b>Allotted, called up and fully paid</b>		
46,185,000 Ordinary shares of 5 pence each (2004: 46,185,000)	<u>2,309</u>	<u>2,309</u>

## 22. Share option schemes

### SAYE Scheme

During the year options over a further 335,283 shares were granted under the SAYE scheme at a price of 110 pence. The outstanding options at the year end were:

Date of Grant	Price per share	Number of shares
August 2001	52p	3,725
August 2002	73p	282,868
August 2003	85p	283,530
August 2004	110p	<u>327,232</u>
		<u>897,355</u>

All the options are exercisable after 3 years. At 31 March 2005 there were 215 employees saving an average £99 per month in respect of options under the SAYE scheme.

### Approved Share Option Scheme

Options over a further 451,000 shares were granted during the year at a price of 145.5 pence. The options outstanding at the year end were:

Date of Grant	Price per share	Number of shares
December 1999	57.0p	58,850
July 2000	56.5p	35,270
July 2001	65.0p	44,250
June 2002	93.0p	210,000
June 2003	105.0p	270,000
June 2004	145.5p	<u>351,000</u>
		<u>969,370</u>

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 as shown in the Remuneration Report on page 14.

### Unapproved Share Option Scheme

Options over 300,000 shares were granted during the year at a price of 145.5p. The options outstanding at the year end were:

Date of Grant	Price per share	Number of shares
August 2001	71.5p	8,850
June 2002	93.0p	60,000
June 2003	105.0p	165,000
June 2004	145.5p	<u>280,000</u>
		<u>513,850</u>

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 as shown in the Remuneration Report on page 14.

# notes

## 22. Share option schemes (cont)

### Long Term Incentive Plan

Awards were made during the year in relation to a further 680,000 shares. Shares outstanding at the year end were:

Date of Grant	Number of shares
December 1999	141,700
July 2000	78,150
July 2001	45,400
June 2002	200,000
June 2003	240,000
June 2004	680,000
	<u>1,385,250</u>

The vesting of the awards is subject to the achievement of performance targets over a three year period, as shown in the Remuneration Report on page 14.

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

The market value of the ordinary shares at 31 March 2005 was 185.5 pence (2004: 129.5 pence), the highest market value in the year to 31 March 2005 was 196.5 pence and the lowest 119.0 pence.

## 23. Share premium and reserves

Group	Share Premium Account £000	Revaluation Reserve £000	Profit and Loss Account £000
As previously stated	16,192	599	35,018
Prior year adjustment (see below)	-	-	(2,315)
As restated	<u>16,192</u>	<u>599</u>	<u>32,703</u>
Share option charge in the year and gains/losses on disposal of shares	-	-	253
Net movement in shares held by the Vp Employee Trust at cost	-	-	153
Foreign exchange difference	-	-	4
Retained profit for year	-	-	4,022
Realised on sale of revalued assets	-	(163)	163
Depreciation on revalued assets	-	(6)	6
<b>At end of year</b>	<b><u>16,192</u></b>	<b><u>430</u></b>	<b><u>37,304</u></b>
<b>Company</b>			
As previously stated	16,192	599	22,251
Prior year adjustment (see below)	-	-	(2,315)
As restated	<u>16,192</u>	<u>599</u>	<u>19,936</u>
Share option charge in the year and gains/losses on disposal of shares	-	-	253
Net movement in shares held by the Vp Employee Trust at cost	-	-	153
Retained profit for year	-	-	7,038
Realised on sale of revalued assets	-	(163)	163
Depreciation on revalued assets	-	(6)	6
<b>At end of year</b>	<b><u>16,192</u></b>	<b><u>430</u></b>	<b><u>27,549</u></b>

Following the adoption of UITF38 'Accounting for ESOP Trusts', investments in the Company's shares of £2,355,000 (31 March 2004: £2,508,000) have been transferred to the profit and loss account. The shares are held in order to provide shares to certain employees under the employee share option plans. The amount charged to the profit and loss account in respect of the shares awarded under employee share option plans has also been credited to reserves and the provision offset against the cost of the shares. At 31 March 2005 the provision for the cost of shares awarded under employee share option plans was £446,000 (2004: £193,000).

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 (2004: £7,403,000). This amount excludes goodwill attributable to subsidiary undertakings or businesses disposed of prior to the balance sheet date.

The amount of the profit for the financial year dealt with in the accounts of the Company was £9,540,000 (2004: £5,287,000).

# notes

## 24. Reconciliation of movement in consolidated shareholders' funds

	2005	2004 Restated
	£000	£000
<b>Profit for the financial year</b>	<b>6,524</b>	6,339
Dividends	<u>(2,502)</u>	<u>(2,142)</u>
<b>Retained profit for the period</b>	<b>4,022</b>	4,197
Share option charge in the year and gains/losses on share options and disposal of shares	<b>253</b>	10
Net movement in shares held by the Vp Employee Trust at cost	<b>153</b>	(793)
Foreign exchange difference	<u>4</u>	<u>-</u>
<b>Increase in shareholders' funds</b>	<b>4,432</b>	3,414
<b>Opening shareholders' funds</b>	<b>51,803</b>	48,389
(originally £54,118,000 before deducting prior year adjustments of £2,315,000)		
<b>Closing shareholders' funds</b>	<u><b>56,235</b></u>	<u>51,803</u>

## 25. Equity minority interests

	2005	2004
	£000	£000
At beginning and end of year	<u>27</u>	<u>27</u>

## 26. Commitments

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

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Contracted	<u>712</u>	<u>75</u>	<u>510</u>	<u>4</u>

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

	2005		2004	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
<b>Group</b>				
Operating leases which expire:				
Within one year	172	1,239	264	1,222
In the second to fifth years inclusive	758	2,316	829	3,416
Over five years	1,309	-	1,025	-
	<u>2,239</u>	<u>3,555</u>	<u>2,118</u>	<u>4,638</u>
<b>Company</b>				
Operating leases which expire:				
Within one year	79	875	114	686
In the second to fifth years inclusive	185	1,201	40	2,314
Over five years	337	-	400	-
	<u>601</u>	<u>2,076</u>	<u>554</u>	<u>3,000</u>



# notes

## 27. Pension schemes

The Group and Company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 "Accounting for Pension Costs."

The Group operates defined contribution schemes and a defined benefit scheme providing benefits based on final pensionable earnings. The defined benefit scheme was closed to new entrants in 1997 and only has a limited number of participants. 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 employees' 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 1 April 2004 using the attained age method. The main assumptions adopted for that assessment were that the long term investment return would be 6.5% 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 1 April 2004 the market value of the assets of the Scheme was £5,510,000 which was sufficient to cover 69% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The same assumptions that were used for the last actuarial assessment have also been used for pension cost purposes except that the long-term investment return has been increased to 6.75% per annum.

The pensions charge for the year was £1,009,000 (2004: £821,000). This includes a £286,000 charge (2004: £66,000 charge) in respect of the amortisation of deficits of the defined benefit scheme that are recognised over 7 years, the average expected remaining lifetime of employees.

A provision of £446,000 (2004: £203,000) is included in creditors, this being the excess of accumulated pension costs over the amount funded.

### FRS 17 Transitional Disclosure

Under FRS 17 'Retirement Benefits' the following transitional disclosures are required for the defined benefit category of the defined benefit scheme:

The valuation was updated by the actuary on an FRS 17 basis as at 31 March 2005.

The major assumptions used by the actuary in this valuation were:

	<b>2005</b>	2004	2003
Rate of increase in salaries	<b>4.00%</b>	3.75%	3.75%
Rate of increase in deferred pensions and pensions in payment which are subject to limited price indexation	<b>3.00%</b>	3.00%	2.75%
Discount rate applied to scheme liabilities	<b>5.75%</b>	5.75%	5.75%
Inflation assumption	<b>3.00%</b>	3.00%	2.75%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

### Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus are inherently uncertain, were:

	Long term rate of return 2005	Value at 2005 £000	Long term rate of return 2004	Value at 2004 £000	Long term rate of return 2003	Value at 2003 £000
Equities	<b>7.00%</b>	<b>5,242</b>	7.00%	4,613	7.00%	3,397
Bonds and others	<b>5.25%</b>	<b>999</b>	5.25%	879	5.25%	958
		<b>6,241</b>		5,492		4,355
Present value of scheme liabilities		<b>(10,155)</b>		(8,086)		(7,514)
Deficit in the scheme – Pension liability		<b>(3,914)</b>		(2,594)		(3,159)
Related deferred tax asset		<b>1,174</b>		778		948
Net pension liability		<b>(2,740)</b>		(1,816)		(2,211)

The amount of this net pension liability would have a consequential effect on reserves.

### Movement in the deficit during the year

	<b>2005</b>	2004
	<b>£000</b>	£000
Deficit in scheme at beginning of year	<b>(2,594)</b>	(3,159)
Current service cost	<b>(102)</b>	(74)
Contributions paid	<b>189</b>	174
Other finance cost	<b>(97)</b>	(139)
Actuarial (loss)/gain	<b>(1,310)</b>	604
Deficit in the scheme at end of year	<b>(3,914)</b>	(2,594)

# notes

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

## Analysis of other pension costs charged in arriving at operating profit

	2005 £000	2004 £000
Current service cost	<u>(102)</u>	<u>(74)</u>

## Analysis of amounts included in other finance costs

	2005 £000	2004 £000
Expected return on pension scheme assets	368	292
Interest on pension scheme liabilities	<u>(465)</u>	<u>(431)</u>
	<u>(97)</u>	<u>(139)</u>

## Analysis of amount recognised in statement of total recognised gains and losses

	2005 £000	2005 %	2004 £000	2004 %
Actual return less expected return on scheme assets	307		770	
Percentage of year end scheme assets		5.0		14.0
Experience gains and losses arising on scheme liabilities	(232)		(93)	
Percentage of present value of year end scheme liabilities		(2.0)		(1.0)
Changes in assumptions underlying the present value of scheme liabilities	(1,385)		(73)	
Percentage of present value of year end scheme liabilities		(13.6)		(1.0)
Actuarial gain recognised in statement of total recognised gains and losses	<u>(1,310)</u>		<u>604</u>	
Percentage of present value of year end scheme liabilities		(13.0)		7.0

## 28. Purchase of businesses

The Group acquired one business during the year. The details are as follows:

Name of acquisition	Date of acquisition	Type of acquisition	Acquired by
Major Tool Hire	8 December 2004	Business and Assets	Hire Station Limited

In addition there were a number of adjustments to the provisional figures for acquisitions in earlier years. The acquisition in the year and the adjustments to earlier years acquisitions were individually not material in Group terms and therefore the details are provided in aggregate below:

Fixed assets	£000
Stock	202
<b>Book value of assets acquired</b>	<u>24</u>
	226
Fair value adjustments to fixed assets relating to prior year acquisitions	<u>(354)</u>
<b>Fair value of assets acquired</b>	(128)
Goodwill capitalised	332
<b>Cost of acquisitions</b>	<u>204</u>
<b>Satisfied by</b>	
Consideration paid in cash	150
Acquisition costs	<u>54</u>
	204
<b>Analysis of cash flow for acquisitions</b>	
Consideration paid in cash	<u>204</u>

Certain of the fixed asset fair values included above are provisional and will be finalised in the year ending 31 March 2006.

As a result of the immediate 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.

# notes

## 29. Reconciliation of net cash flow to movement in net debt

	2005	2004
	£000	£000
Increase/(decrease) in cash in the year	4,664	(2,243)
Cash outflow from movement in debt and lease finance	387	1,252
Change in net debt resulting from cash flows	5,051	(991)
Exchange differences	4	-
Finance leases included in acquisitions	-	(354)
Movement in net debt in the year	5,055	(1,345)
Net debt at the start of the year	(7,492)	(6,147)
Net debt at the end of the year	<u>(2,437)</u>	<u>(7,492)</u>

## 30. Analysis of net debt

	As at 1 April 2004	Cash Flow	Other non- cash changes	As at 31 March 2005
	£000	£000	£000	£000
Cash at bank and in hand	1,087	4,664	4	5,755
Medium term loans	(8,111)	111	-	(8,000)
Loan notes	(245)	120	-	(125)
Finance leases and hire purchase contracts	(223)	156	-	(67)
	<u>(7,492)</u>	<u>5,051</u>	<u>4</u>	<u>(2,437)</u>

## 31. Reconciliation of operating profit to net cash inflow from operating activities

	2005	2004
	£000	£000
Operating profit	9,703	8,654
Depreciation	11,045	11,180
Amortisation of goodwill	429	377
Profit on sale of tangible fixed assets	(1,190)	(1,209)
(Increase)/decrease in stocks	(94)	175
Increase in debtors	(251)	(1,922)
Increase/(decrease) in creditors	506	(464)
Net cash inflow from operating activities	<u>20,148</u>	<u>16,791</u>

## 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.

# five year summary

	2001 £000	2002 £000	2003 £000	2004 £000	<b>2005 £000</b>
Turnover	59,822	66,847	75,546	83,497	<b>90,044</b>
Profit on ordinary activities before taxation	3,059*	6,172*	7,506*	8,868	<b>9,355</b>
Taxation	(827)	(1,664)	(2,119)	(2,529)	<b>(2,831)</b>
Profit on ordinary activities after taxation	<u>2,232</u>	<u>4,508</u>	<u>5,387</u>	<u>6,339</u>	<b><u>6,524</u></b>
Dividends	<u>(1,768)</u>	<u>(1,837)</u>	<u>(1,964)</u>	<u>(2,142)</u>	<b><u>(2,502)</u></b>
Share capital	2,309	2,309	2,309	2,309	<b>2,309</b>
Reserves	41,524*	44,189*	47,612*	49,494	<b>53,926</b>
Equity shareholders' funds	<u>43,833*</u>	<u>46,498*</u>	<u>49,921*</u>	<u>51,803</u>	<b><u>56,235</u></b>
<b>Share Statistics</b>					
Asset value	<u>95p*</u>	<u>101p*</u>	<u>108p*</u>	<u>112p</u>	<b><u>122p</u></b>
Earnings	<u>5.03p*</u>	<u>10.23p*</u>	<u>12.36p*</u>	<u>14.59p</u>	<b><u>15.04p</u></b>
Dividend	<u>4.05p</u>	<u>4.20p</u>	<u>4.50p</u>	<u>5.00p</u>	<b><u>5.75p</u></b>
Times covered	<u>1.26</u>	<u>2.45</u>	<u>2.74</u>	<u>2.96</u>	<b><u>2.61</u></b>

\* not restated for UITF17 and UITF38.

# notice of meeting

Notice is hereby given that the thirty third Annual General Meeting of the Company will be held at Rudding House, Rudding Park, Follifoot, Harrogate on Thursday 8 September 2005 at 10am for the following purposes:

## As ordinary business

1. To receive the Directors' Report, Remuneration Report and Financial Statements for the year ended 31 March 2005, and the Auditors' Report contained therein.
2. To declare a Final Dividend.
3. To re-appoint J F G Pilkington as a Director.
4. To re-appoint P Parkin as a Director.
5. To re-appoint B Cottingham as a Director.
6. 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.
7. To approve the Remuneration Report for the year ended 31 March 2005.

## As special business

To consider and, if thought fit, pass the following resolutions of which Resolution 8 will be proposed as an Ordinary Resolution and Resolutions 9 and 10 will be proposed as Special Resolutions:

8. That for the purposes of Section 80 of the Companies Act 1985 (the "Act") (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.
9. That subject to the passing of the previous resolution the Directors be and they are hereby generally authorised to allot for cash or otherwise equity securities (as defined in Section 94 of the Act) of the Company pursuant to the authority conferred by Resolution 8 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 holders of ordinary shares of 5 pence each ("Ordinary Shares") 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 exchange 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 sub-paragraphs (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.
10. 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 provided that:
  - a) the maximum number of Ordinary Shares to be purchased is 4,618,500 being 10% of the issued share capital of the Company;
  - b) the minimum price which can 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 London 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 or 12 months from the passing of this resolution if earlier; 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.

## M J Holt

Company Secretary

7 July 2005

## Registered Office

Central House, Beckwith Knowle,  
Otley Road, Harrogate,  
North Yorkshire. HG3 1UD

## 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. To be effective it must be deposited at the offices of the company's registrars not less than 48 hours before the time fixed for the meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting if he/she so wishes.

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 5.00pm on 6 September 2005 or if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting 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 5pm on 6 September 2005 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

# annual general meeting form of proxy

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 vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday 8 September 2005 and at any adjournment thereof. I/we request the Proxy to vote on the following resolutions as indicated.

Resolution	For	Against
1. To receive the Directors' Report, Remuneration Report and Financial Statements for the year ended 31 March 2005 and the Auditors' Report contained therein	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint J F G Pilkington as a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint P Parkin as a Director	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint B Cottingham as a Director	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint KPMG Audit Plc as Auditors and to authorise the Directors to agree their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
7. To approve the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>
8. To approve the authority to allot shares	<input type="checkbox"/>	<input type="checkbox"/>
9. To approve the disapplication of pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>
10. To approve the purchase of own shares	<input type="checkbox"/>	<input type="checkbox"/>

Signature \_\_\_\_\_ Date \_\_\_\_\_

## Notes

- 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.
  - 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.
  - 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.
  - 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.
  - 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 Department, The Registry, 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.