



The Equipment  
Rental Specialists

**Annual Report and  
Accounts 2011**

[www.vpplc.com](http://www.vpplc.com)



## Groundforce

Specialist Construction Solutions



## UK Forks

Materials Handling Specialists



## Airpac Bukom

Oilfield Services



## Torrent Trackside

Railway Plant. Railway People.



## TPA

Portable Roadways



## Hire Station

Tools for Industry, Construction & DIY

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# Financial Highlights

	2011	2010
<b>Revenue</b>	<b>£141.0m</b>	£134.2m
<b>Operating profit before amortisation and exceptional items</b>	<b>£16.5m</b>	£18.6m
<b>Operating profit</b>	<b>£14.9m</b>	£16.9m
<b>Profit before amortisation, exceptional items and taxation</b>	<b>£13.8m</b>	£16.0m
<b>Profit before taxation</b>	<b>£12.2m</b>	£14.3m
<b>Basic earnings per share before amortisation and exceptional items</b>	<b>26.09p</b>	27.57p
<b>Dividend per share<sup>(1)</sup></b>	<b>10.80p</b>	10.80p
<b>Return on average capital employed</b>	<b>12.3%</b>	13.3%
<b>Net assets per share</b>	<b>198p</b>	182p
<b>Net debt</b>	<b>£40.5m</b>	£48.3m
<b>Financial gearing<sup>(2)</sup></b>	<b>29%</b>	44%
<b>Interest cover before amortisation and exceptional items</b>	<b>6.1x</b>	7.1x
<b>Expenditure on rental equipment</b>	<b>£24.2m</b>	£13.9m

<sup>(1)</sup> Dividends quoted are paid and proposed for each year

<sup>(2)</sup> Financial gearing is calculated after adjusting debt and equity for the market value of shares held by the Vp Employee Trust and Treasury Shares

# Directors and Advisors

## Executive Directors

Jeremy F G Pilkington, B.A. Hons. (Chairman)

Neil A Stothard, M.A., F.C.A.

Allison M Bainbridge, M.A., A.C.A. (appointed 1 March 2011)

## Non-Executive Directors

Peter W Parkin

Stephen Rogers B.Sc., F.C.A., J.P.

## Secretary

Allison M Bainbridge (appointed 1 March 2011)

## Registered Office

Central House, Beckwith Knowle,

Otley Road, Harrogate, North Yorkshire, HG3 1UD

Registered in England and Wales: No 481833

Telephone: 01423 533400

## Auditors

KPMG Audit Plc, 1 The Embankment,

Neville Street, Leeds, West Yorkshire, LS1 4DW

## Solicitors

Squire Sanders 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

Royal Bank of Scotland Plc

Barclays Bank Plc

Yorkshire Bank

## Merchant Bankers

N M Rothschild & Sons Limited

## Stockbrokers

Brewin Dolphin Securities Limited

# Chairman's Statement

**I am delighted to report a very satisfactory set of results given the current trading environment and the continuing recessionary pressures felt in many of our markets. Whilst it is never less than disappointing to report a reduction in profitability, I believe the Group should be very proud of these results.**

Revenues increased by 5% to £141 million, reversing last year's trend, as we successfully recruited new customers and business. Profit before tax, exceptionals and amortisation reduced to £13.8 million compared to £16.0 million last year. This pressure on margins arose principally from changes within our activity mix but there was inevitably some pricing sensitivity in certain markets, though we did see improvement to some hire rates in the second half. Basic earnings per share were 23.42 pence (2010: 24.68 pence).

Rigorous cash management has enabled us to invest £24.2 million in fleet expansion and renewals, whilst simultaneously reducing debt by 16% to £40.5 million. The prudence and robustness of our accounting policies has once again protected us from the balance sheet write downs deemed necessary by some of our peer group.

In the light of these robust results, your Board is recommending the maintenance of the final dividend at 7.7 pence, thus maintaining the full year dividend of 10.8 pence. Subject to shareholders' approval at the Annual General Meeting in September, it is proposed to pay the dividend on 3 October 2011 to members registered as of 2 September 2011.

I am very pleased to welcome to the Board, Allison Bainbridge, who joined as Group Finance Director in March. Allison most recently held a number of senior financial positions within Kelda Group, the parent company of Yorkshire Water, latterly as Group Finance Director. Allison is a proven financial leader with a breadth of experience who is already making a valuable contribution to the Group.

This year has seen pressures and difficult markets faced by many parts of the Group, but these results reflect the benefit of the strong market positions we hold and the resilience of our strength through diversity business model.

The new financial year will undoubtedly present us with further challenges and surprises but it has started well, and we have every confidence that we will continue to create opportunities and deliver satisfactory business performance over both the short and longer term.

**Jeremy Pilkington**

**Chairman**

**7 June 2011**

# Business Review

## OVERVIEW

*Vp plc is a specialist rental business providing products and services to a diverse range of markets including civil engineering, rail, oil and gas exploration, construction, outdoor events and industry, primarily within the UK, but also overseas.*

The year just ended saw little overall improvement in trading conditions, but against this difficult background the Group delivered another solid profit performance. Strong cash generation allowed a further reduction in net debt in the period, after absorbing an increased capex spend in support of specific market opportunities particularly in the second half. The quality of the performance is further underlined by the £7.3 million (9%) increase in shareholder funds, in addition to the £4.5 million of dividends paid to shareholders in the year.

	Year ended 31 March 2011	Year ended 31 March 2010
Revenue	<b>£141.0 million</b>	£134.2 million
Operating Profit before amortisation and exceptional items	<b>£16.5 million</b>	£18.6 million
Investment in Rental Fleet	<b>£24.2 million</b>	£13.9 million
Operating margin	<b>11.7%</b>	13.9%

The benefit of having a diverse business mix was again demonstrated as certain divisions progressed into recovery whilst others felt the impact of reduced market demand. Improvements were experienced in the housebuilding and rail sectors whilst subdued well testing demand in the oil and gas market and an anticipated quieter first year of the AMP5 water programme impacted Airpac Bukom and Groundforce respectively.

Revenues were 5% ahead at £141.0 million generating operating profits before amortisation and exceptional items of £16.5 million, a reduction of 11%. The change in the divisional mix of results led to a fall in operating margin from 13.9% to 11.7%, but these are still very good in the context of the market environment and in comparison to our quoted peer group.

Despite relatively flat market conditions, the Group continues to innovate and secure growth opportunities. We were particularly pleased to secure a five year contract with Network Rail for the exclusive provision of rail plant services and tool rental, an important business win for both Torrent Trackside and Hire Station. The majority of the exceptional costs of £0.6 million in the year relate to the headcount reductions on the Network Rail contract as we resized the transferred activity to the required level of future operational support.

The excellent organic profit recovery within UK Forks, was supplemented at the end of October 2010 with the acquisition of a customer's telehandler fleet supported by a three year sole supply deal.

Capital expenditure on rental fleet increased by 74% to £24.2 million (2010: £13.9 million). The pace of fleet investment increased in the second half and included £3 million on the telehandler acquisition noted above, together with a £4 million investment in fleet in support of the new Network Rail contract. Over the course of the previous two years the Group pro-actively reduced the size of its fleet in certain divisions. This process has slowed this year as the fleet sizes began to balance with demand and utilisation levels started to increase. As a result, sale proceeds on fleet reduced to £7.2 million (2010: £8.7 million) but still generated profits on sale of £2.3 million. The maintained quality of the fleet disposal margins demonstrate the robustness of the fleet valuation and the appropriate nature of our depreciation policies.

## GROUNDFORCE

*Excavation support systems, specialist solutions and trenchless technology for the water, gas, civil engineering and construction industries.*

	Year ended 31 March 2011	Year ended 31 March 2010
Revenue	<b>£30.3 million</b>	£32.9 million
Operating Profit before amortisation and exceptional items	<b>£6.7 million</b>	£9.2 million
Investment in Rental Fleet	<b>£3.8 million</b>	£3.5 million

Groundforce remained the Group's largest profit contributor and delivered healthy margins, albeit on a lower turnover. This softening of income was caused by three key elements; limited demand from the newly commenced AMP5 programme, a subdued construction and infrastructure market and a decline in capital sales to the USA. These factors were generally anticipated and the division responded accordingly.

The core shoring business experienced the anticipated reduction in activity from AMP contracts and general construction. Infrastructure demand held up well as did activity on the Olympic sites. Revenues from Europe continued to improve and success was enjoyed on a number of large Civil Engineering projects including in Sweden and Germany. The trading environment in the Republic of Ireland remains tough but the business is well placed to secure work from those key contractors that remain active. Despite the year being relatively quiet for shoring, the prospects going forward remain positive for this high quality business.

U Mole enjoyed a strong year, developing a market leading position in vacuum excavation products, which complement its trenchless technology product range. Despite a challenging market Piletec also performed well, managing fleet levels carefully and consolidating its market leading position as a number of competitors exited the market. The small Harbray Plant Hire acquisition announced in May 2010 was successfully integrated within the division.

# Business Review

The establishment of an operational footprint in mainland Europe progressed, with the opening of a new depot in Hanover in the final quarter of the financial year.

Capital expenditure was marginally increased on the prior year and directed at the replacement and realignment of the rental fleet.

The breadth of end markets served by Groundforce should enable some recovery in activity in the coming year, helped by the AMP5 programme, general construction demand and further progress within Europe.

## UK FORKS

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

	Year ended 31 March 2011	Year ended 31 March 2010
Revenue	<b>£10.8 million</b>	£10.6 million
Operating Profit before amortisation and exceptional items	<b>£1.1 million</b>	£0.0 million
Investment in Rental Fleet	<b>£4.4 million</b>	£0.1 million

The UK Forks business enjoyed a much improved performance, reporting profits of £1.1 million compared with a break even result in the prior year. A modest, but sustained, recovery in house building demand together with the benefit of the robust cost actions taken early in the downturn helped to improve margins. Hire revenue grew by 21% reflecting this increased demand. The much reduced fleet disposal programme delivered sale proceeds of £0.4 million (2010: £2.0 million) and hence the relatively small net increase in total revenues year on year.

The revenue growth was delivered from both house building and general construction markets. The overall numbers of telehandlers available in the UK market shrank significantly during 2008 and 2009 as many surplus machines were disposed of into overseas markets. We have gradually rebuilt the fleet over the last 12 months and our historic, and continuing, focus on high quality service delivery has seen the division secure increased market share. The Group's financial strength enables the division to respond more quickly to new opportunities within a market place where choice may have become more limited.

Whilst the business has suffered cost inflation on transport, fuel, spares and capital purchases, we have also been able to secure some improvement to hire rates in the period.

Capital investment in the fleet increased to £4.4 million in the year after minimal spend last year. Within that investment is the acquisition of 150 telehandlers from one of our larger customers supported by a three year exclusive hire arrangement.

The new financial year has commenced positively and we anticipate the opportunity to grow the business further over the next 12 months.

## AIRPAC BUKOM OILFIELD SERVICES

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

	Year ended 31 March 2011	Year ended 31 March 2010
Revenue	<b>£17.5 million</b>	£15.7 million
Operating Profit before amortisation and exceptional items	<b>£2.7 million</b>	£3.9 million
Investment in Rental Fleet	<b>£1.3 million</b>	£4.6 million

Trading conditions proved challenging for Airpac Bukom during the year as the anticipated global improvement in well test activity failed to materialise. This affected performance in many of our regions, none more so than the North Sea, where the number of exploration and appraisal wells operating in the final quarter of 2010 was the lowest since 1999. Pleasingly since the year end, activity levels have improved in this region.

Whilst the business delivered revenue of £17.5 million, 11% up on prior year, a change in business mix, adverse currency exchange and contract timing contributed to a reduced profit of £2.7 million.

The Pluto LNG project in Karratha, Western Australia continued during the year, but behind schedule. The resultant delayed revenues should be secured in the new financial year.

The Africa region weakened later in the year, being impacted by the social and political unrest in a number of countries including Libya, Tunisia and Egypt. The Middle East improved in the second half of the year with increasing opportunities for our products in the region.

The business is well positioned to take advantage of an improving global well testing market going forward. With an unrivalled operational footprint that covers the major exploration areas worldwide and the recent strengthening of the management team, the short to medium term prospects for the division are much improved.



# Business Review

## TORRENT TRACKSIDE

*Suppliers of rail infrastructure portable plant and specialist services to Network Rail, London Underground and their appointed contractor base.*

	Year ended 31 March 2011	Year ended 31 March 2010
Revenue	<b>£14.9 million</b>	£10.6 million
Operating Profit before amortisation and exceptional items	<b>£1.6 million</b>	£0.2 million
Investment in Rental Fleet	<b>£2.9 million</b>	£0.8 million

Torrent delivered an excellent recovery on the back of an improvement in revenues from our key customer relationships and a full year benefit from the cost reduction measures implemented in the prior year.

In December 2010, Torrent were awarded a five year contract to manage and maintain Network Rail's portable plant fleet further cementing our credentials as the provider of choice for the national rail infrastructure contractor base.

Torrent also secured material improvements in revenues from London Underground activities, supported in part by the purchase of elements of the Jarvis Fastline underground fleet from the administrator early in the year.

The rail industry remains dynamic, with further change expected following the appointment of new senior management at Network Rail and the anticipated impact of the McNulty report.

Capital expenditure in the year increased significantly to £2.9 million in support of new opportunities and increased demand from our existing rail infrastructure contractor customer base.

As the market leading portable rail plant specialist, Torrent remains very well positioned to demonstrate value added services to the sector during this period of further change.

## TPA

*Portable roadway systems, primarily to the UK market, but also in mainland Europe and the Republic of Ireland.*

	Year ended 31 March 2011	Year ended 31 March 2010
Revenue	<b>£14.0 million</b>	£14.2 million
Operating Profit before amortisation and exceptional items	<b>£1.4 million</b>	£2.2 million
Investment in Rental Fleet	<b>£1.5 million</b>	£0.5 million

TPA's revenues were similar to the prior year at £14.0 million, but the profits were adversely impacted by a change in the mix of business and rising variable costs, particularly in transportation, both in the UK and Germany.

In the UK, the outdoor events sector was stable with a consistent demand from key events and a number of longer term agreements were secured. Whilst construction related demand continued at a subdued level, the rail sector was more buoyant. The transmission sector activity arising from our preferred supplier status with the National Grid Alliance contributed well to the overall performance of the business in the year.

In Germany, after a satisfactory start to the year, revenue softened in the last quarter, due to extreme weather conditions and lower demand from the energy sector. The region continues to develop, with local management expanding the operational support structure and implementing robust systems and procedures. We continue to develop new relationships within the European customer base.

The division was awarded BS14001 (environmental) and BS8901 (sustainable management system for events) accreditations during the year. The latter is a prerequisite for suppliers to the tier 1 contractors at the 2012 Olympics.

Investment in the rental fleet increased on prior year, primarily due to the purchase of plastic pitch covers for outdoor stadia events both in the UK and in Europe.

The outlook for 2011/12 is positive, with an ongoing requirement from the National Grid and a steady build up to the Olympics adding to demand. We believe construction will be stable and Europe should provide further growth opportunities.

# Business Review

## HIRE STATION

*Small tools and specialist equipment for industry and construction.*

	Year ended 31 March 2011	Year ended 31 March 2010
Turnover	<b>£53.5 million</b>	£50.1 million
Operating Profit before amortisation and exceptional items	<b>£3.0 million</b>	£3.2 million
Investment in Rental Fleet	<b>£10.3 million</b>	£4.5 million

The Hire Station business delivered a strong result, despite the construction market continuing to be soft throughout the year. After a challenging first half, the second half saw a marked improvement, with activity in the final quarter in particular being very encouraging.

Revenues of £53.5 million were 7% ahead of prior year with all Hire Station businesses delivering growth. The profit result of £3.0 million was similar to the prior year with the small reduction in margin influenced by an increase in vehicle and fuel costs.

Capital expenditure of £10.3 million was more than double the previous year and included almost £4 million to support the 5 year Network Rail contract win. This contract commenced in March 2011 and therefore minimal revenues are included in these reported numbers.

Headcount remained broadly static during the year and our low staff turnover record remains a key factor in allowing us to deliver consistently high levels of service to our customers.

The tools business has made good progress during the year maintaining a tight control on the cost base but at the same time investing for growth. Several key account wins in addition to Network Rail put us in a strong position for the coming year. We have increased our geographical coverage with new branch openings in Aberdeen, Port Talbot and Carlisle. We also took the opportunity to relocate two of our larger branches, in Livingston and Southampton doubling the operational capacity of these operations.

The specialist safety rental business, ESS Safeforce, had another strong year delivering double digit revenue growth. We have made further inroads into the petrochemical shutdown market securing some significant wins for the new financial year. Additional training centres were added in Leeds and Runcorn and another hire centre was established in South Wales to satisfy growing demand in this area.

MEP continues to progress well with new branches in Aberdeen and Croydon opened during the year. A planned opening in Southampton in the first quarter of the new financial year will take the number of locations to nine. This provides comprehensive coverage in most of the key markets in the UK and we have exciting plans for this business as we seek to deliver further growth.

The Climate Hire business had a similar year to the prior year. The poor summer hampered demand for air conditioning units and coolers, but the winter was very busy as a result of the extreme temperatures in early November 2010 and this elevated demand continued well into February.

The business has weathered the last two years better than most tool hirers and delivered profits when others have struggled. This is a testament to the quality of the business. The key challenge going forward is to deliver growth in what is still a very fragmented market but with better quality margins. We have plenty of initiatives in progress within the business and are optimistic about prospects for the coming year.

## PROSPECTS

The Group enjoyed a generally upbeat finish to the financial year and despite the extended holiday period in April, the new financial year has continued in a similar vein. We approach the new financial year positively and though we expect that market conditions will remain no better than stable, we are confident that opportunities are available to all of our divisions. We accelerated investment in the rental fleet in the second half of the year and we expect to continue that trend in support of further opportunities going forward.

We have emerged from the downturn in better financial shape than many in our sector. We expect this to provide competitive advantage in securing market share, as we are able to contemplate investment where others may not.

We are optimistic about the future prospects for the Group and look forward to delivering further tangible progress for shareholders in the coming year.

**Neil Stothard**  
Group Managing Director  
7 June 2011

# Financial Review

## SUMMARY OF GROUP RESULTS

The financial performance of the Group for the year met the expectations of the Board and the guidance provided to the market at the start of the year. Group revenues were £141.0m (2010: £134.2m) and profit before tax, amortisation and exceptional items was £13.8m (2010: £16.0m). Consequently, basic earnings per share before the amortisation of intangibles decreased from 27.57 pence to 26.09 pence, a decrease of 5%. Basic earnings per share after the amortisation of intangibles was 23.42 pence (2010: 24.68 pence). There were no asset write-downs or significant impairments. There was a small exceptional charge of £0.6m (2010: £0.4m) relating to employment restructuring costs. In the prior year there was also an exceptional credit of £0.1m relating to the disposal of a freehold property.

It is proposed to maintain the final dividend at 7.7 pence per share. If approved, the full year dividend would be unchanged at 10.8 pence with the dividend covered of 2.4 times (2010: 2.6 times) by earnings per share.

The return on average capital employed (being EBITA/Average Capital Employed) was 12.3% (2010: 13.3%) based on average capital employed of £133.8m (2010: £140.2m) calculated on a 12 month rolling average of total net assets and net debt.

Total net assets at the year end for the Group were £91.5m (2010: £84.2m), an increase of 9% representing net assets per share of 198 pence (2010: 182 pence).

## CASH FLOWS AND NET DEBT

There was a net inflow of £7.8m (2010: £17.5m inflow) during the year reducing net debt from £48.3m to £40.5m. Cash generated from operations totalled £33.9m (2010: £37.2m) aided by a reduction in working capital of £1.6m. The cash from operations was utilised to fund increased capital expenditure of £21.9m (2010: £16.7m). Cash expenditure on rental fleet increased to £20.0m compared with £15.6m in the prior year, reflecting the Group's ability to fund customer led investment in fleet. Proceeds from disposals totalled £7.2m (2010: £8.7m) in the year.

There was one acquisition in the year (2010: Nil) with a net cash outflow of £0.7m. Dividend payments to shareholders totalled £4.5m (2010: £4.5m). The investment in own shares during the year was £0.4m (2010: £0.1m).

Interest cover before amortisation and exceptional items was 6.1 times (2010: 7.1 times) and Net Debt / EBITDA was 1.16 (2010: 1.29), both comfortably within banking covenants.

## CAPITAL RISK MANAGEMENT

The Group's objective with respect to managing capital is to maintain a balance sheet structure that is both efficient in terms of providing long-term returns to shareholders and safeguards the Group's ability to continue as a going concern. As appropriate, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with established practice, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt (current and non-current borrowings less cash and cash equivalents) divided by total equity. The net debt at 31 March 2011 represents headline gearing of 44% (2010: 57%) and underlying financial gearing of 29% (2010: 44%) after excluding the investment in own shares at market value of £10.5m (2010: £7.8m).

# Financial Review

## TAXATION

The Group seeks to build open relationships with tax authorities and advisors to bring about timely agreement on its tax affairs and to remove uncertainty on business transactions. The Group seeks to minimise its tax burden in a manner which is consistent with commercial objectives and meets its legal obligations and ethical standards.

The overall tax charge on profit before tax was £2.5m (2010: £4.1m), an effective rate of 20.0% (2010: 28.6%). The current year tax charge was decreased by £0.1m (2010: £0.1m increase) in respect of adjustments relating to prior years. The underlying tax rate was 20.8% (2010: 27.7%) before prior year adjustments. The main reduction in the tax rate relates to the reduction in the future standard tax rate in the UK to 26%; this has reduced the deferred tax liability and hence the tax charge by £0.8m (6.4%). A more detailed reconciliation of factors affecting the tax charge is shown in note 7 to the Financial Statements.

## ACQUISITIONS AND DISPOSALS

On 14 May 2010 the Group acquired a small pipe testing hire business, Harbray Plant Hire Limited, for net cash of £0.7m. This acquisition augments the business within Groundforce.

## GOODWILL AND INTANGIBLE ASSETS

With no significant impairments, the Group carried forward £5.6m (2010: £6.0m) of intangible assets and £34.0m (2010: £33.8m) goodwill at year end. The movement in the year reflects amortisation of intangibles of £0.9m, partly offset by intangibles and goodwill on the current year acquisition of £0.7m. Intangible assets are recognised in relation to trade names, customer lists/relationships and supply agreements. Taking into account current and budgeted financial performance the Board remains satisfied with the carrying value of these assets.

## TREASURY MANAGEMENT

The Group finances its operations through a mixture of shareholders' funds, bank borrowings and operating leases. The Group operates centralised treasury management over its financial risks within a strong control environment. The Group uses various financial instruments in order to manage the exposures that arise from its operations. It is the Group's policy not to trade financial instruments or to engage in speculative transactions. The Board has approved the treasury policy and receives regular reports on compliance. The objectives of the Group's treasury policy are summarised below:

**To meet the liquidity requirements of the Group cost effectively.** The Group aims to maintain undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term funding needs and to minimise the level of surplus cash balances. The Group operates a conservative investment policy and short term deposits are placed with highly rated counterparties.

**To deliver the funding demands of the business at low cost.** The Group funding requirements are largely driven by capital expenditure and acquisition activity. As at 31 March 2011 the Group's bank facilities comprised £55m (2010: £70m) of committed facilities and overdraft facilities of £10m (2010: £10m). The Group is currently in discussions with banks to replace the £20m facility which expires in September 2011. The new facility is expected to be agreed well ahead of the current facility's expiry. The new facility will reflect the Group's current assessment of business requirements and the strong platform for growth which has been established in the last two years. The Group also has a £35m committed three year facility which is due to expire in May 2013 and overdraft facilities totalling £10m. Bank borrowings net of cash totalled £40.5m (2010: £48.1m) at the year end.

**To develop and maintain strong and stable banking relationships.** The principal lenders to the Group are Barclays, The Royal Bank of Scotland and Yorkshire Bank with whom the Group maintains strong working relationships.

# Financial Review

**To provide reasonable protection against interest rate and foreign currency volatility.** At 31 March 2011 the Group had fixed the interest rates on £22.5m of floating rate debt through the use of three interest rate swaps. Two of the agreements were entered into in September 2007 and December 2007, each fixing £7.5m of debt for a period of 5 years with a bank only break option after 3 years. In addition there is a further agreement entered into in July 2008 to fix £7.5m of floating rate debt for a period of 5 years with a bank only break option after 3 years.

At 31 March 2011 the Group had two swap agreements matching a total of £15.0m of interest rate swaps at 3 month LIBOR to 1 month LIBOR. On 6 December 2010 the Group renewed these swaps with agreements expiring in September 2011. A third swap matching 3 month LIBOR to 1 month LIBOR expired in November 2010 and was not renewed.

The Group is exposed to movements in exchange rates for both foreign currency transactions and the translation of net assets and income statements of foreign subsidiaries. The Group regards its interests in overseas subsidiary companies as long-term investments and manages its translational exposures through the currency matching of assets and liabilities where possible. The matching is reviewed regularly with appropriate risk mitigation performed where necessary. The Group has exposure to a number of foreign currencies. The most significant transactional currency exposure is US dollars to Sterling and, as at 31 March 2011 agreements were in place to sell US\$12.0m (2010: US\$15.1m) for the coming year.

The counterparties to all these agreements are Barclays Capital, The Royal Bank of Scotland and Yorkshire Bank.

**To provide reasonable protection against share price volatility in managing share based payments.** The Company provides funding to the Vp Employee Trust to enable the purchase of shares to fix the actual cash cost of share options during their vesting period. At 31 March 2011 the Vp Employee Trust held 3,237,000 shares (2010: 3,073,000 shares) against an expected liability in terms of numbers of shares at that date of 4,670,000 (2010: 3,161,000).

## TREASURY SHARES

In December 2008 the Company purchased 1.2m shares at an average price of 125 pence. These shares are being held as treasury shares and have not been cancelled. The acquisition was earnings per share enhancing as the expected saving from dividends outweighs the financial cost of this investment.

## FINANCIAL CONTROLS

The Group delegates day-to-day control to local management within agreed parameters. The Group has comprehensive control systems in place, with regular reporting to the executive directors. The Internal Audit function reviews each accounting centre and its findings are reported to the Audit Committee.

Further information regarding the Group's procedures to maintain strict controls over all aspects of risk, including financial risk, are set out in the Corporate Governance Report on pages 22 and 23.

## RISK AND UNCERTAINTIES

The Group comprises a number of businesses serving different markets and manages the risks inherent to these activities. The key external risks include general economic conditions, competitor actions, the effect of legislation, credit risk and business continuity. Internal risks relate mainly to investment and controls failure risk. The Group seeks to mitigate exposure to all forms of risk where practicable and to transfer risk to insurers where cost effective. The diversified nature of the Group limits the exposure to external risk within a particular market. Exposure to credit risk in relation to customers, banks and insurers is managed through credit control practices including credit insurance which limits the Group's exposure to bad debts via an aggregate first loss policy which covers just over half of the Group's accounts receivable. Business continuity plans exist for key operations and accounting centres. The Group is an active acquirer and acquisitions may involve risks that might materially affect the Group performance. These risks are mitigated by extensive due diligence and appropriate warranties and indemnities from the vendors.

Taking into account these risk mitigation actions and the treasury management policies described above, the Group's exposure to market, liquidity and credit risk is considered to be within normal parameters and represents a level of acceptable risk.

# Financial Review

## **ACCOUNTING STANDARDS**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. In 2010/11 there were no changes to accounting standards which had a significant effect on the Group's financial statements during the year.

Full details of accounting policies and a summary of accounting policy changes, which did not have a significant effect on the financial statements, are provided in note 1 to the Financial Statements.

## **SHARE PRICE**

During the year the Company's share price increased by 29.1% from 182 pence to 235 pence, compared to a 11.6% increase in the FTSE small cap index. The Company's shares ranged in price from 150 pence to 248 pence but averaged 189 pence during the year. The average number of shares in issue was 41,776,000 (2010: 41,514,000) excluding shares held by the Employee Trust and Treasury Shares.

**Allison Bainbridge**  
**Group Finance Director**  
**7 June 2011**

# Directors' Report

The Directors of Vp plc present their annual report and the audited Financial Statements for the year ended 31 March 2011.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Group is equipment rental and associated services conducted mainly in the United Kingdom and Europe together with services to the international oil and gas exploration and development markets on a worldwide basis.

In accordance with the requirements of the Companies Act 2006, a review of the development of the business and the current trading position is provided in the Chairman's Statement and the other reports and reviews in these financial statements, which form part of this Directors' Report.

## DIVIDEND

The Directors are proposing to maintain the final dividend at 7.7 pence per share. This reflects a reasonable level of dividend cover and the trading performance and prospects for the Group. Subject to approval at the Annual General Meeting, shareholders will receive a total dividend for the year of 10.8 pence (2010: 10.8 pence) per share. This equates to a total dividend of £4,496,000 (2010: £4,518,000) net of waived dividends. As required under adopted IFRSs the dividends charged in the accounts do not include the proposed dividend, which is subject to approval at the Annual General Meeting.

The final dividend will be paid to shareholders on the register of members of the Company on 2 September 2011 and it is proposed that dividend warrants be posted on 3 October 2011.

## DIRECTORS

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

### Jeremy Pilkington

#### *Chairman*

Jeremy Pilkington 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 also Chairman of the Nomination Committee. Age 60.

### Neil Stothard

#### *Group Managing Director*

Neil Stothard joined Vp 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 Divisional Finance Director of TDG plc. He is a non-executive Director of Wykeland Group Limited and was a non-executive Director of Scarborough Building Society. Age 53.

### Allison Bainbridge (Appointed 1 March 2011)

#### *Group Finance Director*

Allison Bainbridge was previously Group Finance Director of Kelda Group Limited, the holding company of Yorkshire Water and also Finance Director of Yorkshire Water. She is a trustee and Chair of the West Yorkshire Police Community Trust. Age 50.

### Peter Parkin

#### *Non-executive director, Senior Independent Director*

Peter Parkin was appointed a non-executive director in 1999. He is Chairman of Wheeldon Brothers Limited, a private house building company and had previously been Chairman and Chief Executive of Raine plc. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Age 65.

# Directors' Report

## **Steve Rogers**

### ***Non-executive director***

Steve Rogers was appointed a non-executive director on 1 October 2008. He retired as a senior partner of PricewaterhouseCoopers in 2007. He is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. He is a non-executive director of Arran Isle Group (formerly Heywood Williams Plc). He is a trustee and treasurer of the Leeds Community Foundation. Age 59.

Mike Holt resigned as a director on 19 November 2010.

Jeremy Pilkington and Steve Rogers 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. Steve Rogers does not have a service contract, although he does have a letter of engagement.

As Allison Bainbridge was appointed a Director since the last Annual General Meeting, she is required to retire and seek re-appointment. She has a service contract with the Company, terminable by 12 months' notice.

As Peter Parkin has been a non-executive director for over nine years he is required under the 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.

## **SHARE CAPITAL**

Details of the Company's share capital structure are shown in note 18 to the accounts. All shares have the same voting rights.

## **DIRECTORS' INTERESTS**

The interests of each Director in the shares of the Group companies are shown in the Remuneration Report on page 20.

## **SUBSTANTIAL SHAREHOLDERS**

As at 7 June 2011 the following had notified the Company of an interest of 3% or more in the Company's issued ordinary share capital (exclusive of treasury shares).

	Number of Ordinary Shares	Percentage of Issued Ordinary Shares %
Ackers P Investment Company Limited	23,684,876	52.57
JP Morgan Asset Management (UK) Limited	4,430,985	9.85
Vp Employee Trust	3,579,657	7.96
Discretionary Unit Fund Managers Limited	2,400,000	5.34

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



# Directors' Report

## 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. This communication takes the form of comprehensive team briefings to all employees together with regular Group and divisional newsletters.

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 £24,066 (2010: £12,143). The donations made in the year principally relate to sponsorship of employee driven fund raising activities on behalf of local and national charities.

## SUPPLIER PAYMENT POLICY

It is the Company's policy to make payment to suppliers on agreed terms. 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 2011 was 55 days (2010: 41 days). This figure fluctuates dependent on the creditor position for fleet purchases at the year end compared to the average purchases during the year.

## CONTRACTS

There are no disclosures required under S417 of the Companies Act in relation to contractual or other arrangements with customers or suppliers.

## 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 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 30.7% of the total ordinary share capital (exclusive of treasury shares) in issue at 7 June 2011. 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 shareholdings will be limited to the allotment of shares up to a maximum nominal amount of £112,000 which represents 5% of the total ordinary share capital (exclusive of treasury shares) in issue at 7 June 2011. 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 maximum and minimum prices that may be paid for an Ordinary Share in exercise of such powers is set out in Resolution 10(b) and 10(c) of the Notice of Meeting on page 64. 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 would be in the best interest of shareholders generally. The Company would consider holding any of its own shares that it purchases pursuant to the authority conferred by this resolution as treasury shares provided that the number so held did not at any time exceed 10% of the Company's issued share capital. This would give the Company the ability to re-issue treasury shares quickly and cost-effectively and would provide the Company with additional flexibility in the management of its capital base. During the year ended 31 March 2011 the Company did not acquire any shares (2010: Nil shares) under the authority of the resolution passed at the Annual General Meeting in September 2010. The shares previously acquired are being held as treasury shares and represent 2.6% of the total ordinary share capital in issue (exclusive of treasury shares) at 7 June 2011.

# Directors' Report

## GOING CONCERN

The Business Review on pages 6 to 9 sets out the Group's business activities, markets and outlook for the forthcoming year and beyond. This is supported by the Financial Review on pages 10 to 13 which sets out the Group's current financial position, including its cashflows, net debt and borrowing facilities and also outlines the Group's treasury management objectives, policies and processes.

Notes 14 and 15 ('Interest Bearing Loans and Borrowings' and 'Financial Instruments') to the financial statements give further information on the Group's borrowings, financial instruments and liquidity risk.

The Group is in a healthy financial position. The Group currently has total banking facilities of £65m which are subject to bank covenant testing. Within these facilities is a £20m revolving credit facility which is due to expire in September 2011. The Group is already in discussions with banks regarding a replacement facility and a new facility is expected to be agreed well ahead of the facility's expiry.

The Board has evaluated the facilities and covenants on the basis of the budget for 2011/12, which has been prepared taking into account the current economic climate, together with appropriate sensitivity analysis. On the basis of this testing the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis has been adopted in the preparation of the financial statements.

## RESPONSIBILITY STATEMENT OF THE DIRECTORS

The directors whose names appear on page 4 confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole: and
- The Business Review and Financial Review which form part of the Report of the Directors, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that they face.

## AUDITORS

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company auditors are unaware; and all Directors have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**Allison Bainbridge**  
Company Secretary  
7 June 2011

# Remuneration Report

This report sets out the Group's policy on the remuneration of directors and provides details of the remuneration, fees and share incentives of the directors for the year ended 31 March 2011. A resolution will be put to shareholders at the Company's Annual General Meeting to approve this report.

This report complies with the Companies Act 2006 which incorporates the Directors' Remuneration Report Regulations 2002 and also with the UK Combined Code of Corporate Governance (the "Code") as revised in June 2008.

## UNAUDITED INFORMATION

### THE REMUNERATION COMMITTEE

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 committee comprises the Company's independent non-executive directors, chaired by Peter Parkin. Jeremy Pilkington, Chairman, and Neil Stothard, Group Managing Director, attend meetings by invitation but are not present during any discussion on their own emoluments.

The committee's terms of reference, which are available on the Company's website and from the Company Secretary on request, set out the responsibilities of the committee which include determining and agreeing with the Board the fair and reasonable remuneration of the executive directors. The objective of this policy is to ensure that executive management are appropriately rewarded for their contribution to the success of the Company and provided with incentives to encourage enhanced performance. The committee met once during the year. The committee takes into account levels of remuneration in comparable companies, benchmark surveys and consults with independent remuneration advisers as appropriate.

### REMUNERATION POLICY

The Group is committed to achieving sustainable improvements in performance and therefore seeks to recruit, retain and motivate employees of the highest calibre at all levels within the organisation.

The main components of executive director and senior management remuneration are base salary, annual performance related bonus, long term incentives and pension allowances. Additional benefits include a company car or car allowance and private health insurance. The committee is mindful of the balance between performance and non-performance related remuneration.

### SALARY

The committee's policy is to set base salaries broadly comparable to the median level of a comparator group of companies in the FTSE Small Cap Index. When conducting its review the committee takes into account the Company's performance, market conditions and market rates for similar positions in comparable companies and pay conditions elsewhere within the Group. The committee also takes into account the personal performance of each director. The salaries of executive directors are reviewed annually in March.

It is the committee's policy that no executive director should have a contract with a notice period of more than twelve months.

Non-executive directors do not have service contracts. The remuneration of the non-executive directors is set by the full board with each director abstaining from voting on his own remuneration.

### ANNUAL PERFORMANCE RELATED BONUS

The executive directors are entitled to an annual bonus which rewards performance against financial targets set at the beginning of each year. The annual bonus is normally capped at 50% of base salary and any bonus payable is reviewed and agreed by the Remuneration Committee.

# Remuneration Report

## SHARE PLANS

The Committee believes that earnings per share growth and return on capital employed are the most appropriate performance measures to align management rewards with shareholder value.

Awards under all share plans, with the exception of the save as you earn scheme, are subject to achievement of pre-agreed levels of earnings per share and minimum ROCE targets over the three year performance period. Awards vest on the achievement of challenging compound annual growth rate targets over a pre agreed baseline level of earnings and a minimum ROCE of 12%.

### Long-term incentive plan

Under the rules of the long-term incentive plan, executive directors and senior management may receive a conditional right to acquire shares at no cost. The vesting of this entitlement is dependent upon the achievement of the performance conditions relating to earnings per share and return on capital employed over a three year period. The initial value of awards is up to a maximum of 100% of base salary, although depending on circumstances, the Remuneration Committee may at its discretion award more.

### Share option schemes

Under the Approved and Unapproved share option schemes, certain 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 on the dealing day immediately before the date of the award and the nominal value of the shares. Awards under these schemes are no longer granted to executive directors.

### Share matching scheme

Under the share matching scheme, certain executive directors and senior management of the Group are incentivised to invest in Vp plc shares from their own funds and are granted rights to acquire shares at nil cost in proportion to the number of shares purchased. Awards are subject to the same performance conditions as the Approved and Unapproved share option schemes. The maximum annual level of award under this scheme is shares to the value of 10% of base salary.

### Save as you earn scheme

Under the terms of the SAYE scheme invitations are made to all eligible employees. Options are granted at a discount of up to 20% of the mid-market price immediately prior to invitation and are not subject to any performance targets. At 31 March 2011 there were 402 (29%) employees (2010: 390 (28%)) participating in the scheme.

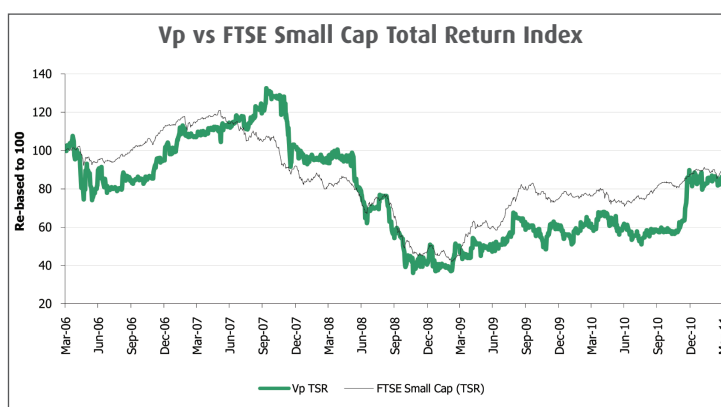
### Benefits in kind

For each executive director these comprise a pension allowance or contribution to a pension scheme, a car or car allowance and private health insurance. Permanent health insurance is also in place for Jeremy Pilkington and Neil Stothard.

## TOTAL SHAREHOLDER RETURN

The total cumulative shareholder return of the Group for the 5 years to 31 March 2011 reduced by 15% as compared to a reduction of 12% for the FTSE Small Cap Index, which is regarded as an appropriate benchmark for the Group's shareholders. The movements in shareholder return for both are shown in the graph opposite.

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



Source: Thomson Reuters Datastream

# Remuneration Report

## 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 of Jeremy Pilkington and Neil Stothard are dated 10 June 2002 and the contract of Allison Bainbridge is dated 15 February 2011.

The non-executive directors do not have service contracts, however they do have letters of engagement terminable on between three and six months' notice. The dates of these letters are 18 November 1999 for Peter Parkin and 10 September 2008 for Steve Rogers.

## AUDITED INFORMATION

### DIRECTORS' REMUNERATION

The details of the remuneration of directors for the year ended 31 March 2011 are set out below:

	Salary/ Fees £000	Bonus £000	Cash Allowance/ Pension £000	Benefits £000	<b>Total 2011 £000</b>	Total 2010 £000
Jeremy Pilkington	426	213	196	39	<b>874</b>	614
Neil Stothard	305	152	113	21	<b>591</b>	403
Mike Holt (resigned 19 November 2010)	133	40	23	11	<b>207</b>	278
Allison Bainbridge (appointed 1 March 2011)	18	-	3	-	<b>21</b>	-
Barrie Cottingham (resigned 8 September 2009)	-	-	-	-	<b>-</b>	18
Peter Parkin	35	-	-	-	<b>35</b>	35
Steve Rogers	35	-	-	-	<b>35</b>	35
	<u>952</u>	<u>405</u>	<u>335</u>	<u>71</u>	<u><b>1,763</b></u>	<u>1,383</u>

## PENSIONS

The Company contributed to defined contribution schemes on behalf of Neil Stothard and Mike Holt. In addition cash allowances in lieu of pension contributions are paid to Jeremy Pilkington and Allison Bainbridge. During the year a one off cash pension allowance was paid to Jeremy Pilkington and Neil Stothard. Details are provided in the remuneration table above.

## DIRECTORS' INTERESTS

### Shareholdings

The beneficial interests of Directors who served during the year and their families, in the ordinary share capital of the Company are set out below:

	31 March 2010/ Date of appointment	Purchases	<b>31 March 2011/ Date of resignation</b>
Jeremy Pilkington	27,220	-	<b>27,220</b>
Neil Stothard	612,758	-	<b>612,758</b>
Mike Holt (resigned 19 November 2010)	189,615	-	<b>189,615</b>
Allison Bainbridge (appointed 1 March 2011)	-	-	<b>-</b>
Peter Parkin	67,500	-	<b>67,500</b>
Steve Rogers	-	-	<b>-</b>

During the year Jeremy Pilkington was interested in 23,684,876 shares registered in the name of Ackers P Investment Company Limited. This is a company controlled by a number of trusts with which, for the purposes of Sections 252 to 255 of the Companies Act 2006, Jeremy Pilkington is deemed to be a connected person.

# Remuneration Report

## DIRECTORS' INTERESTS (continued)

### Share Options

Two directors had share options during the year and these are set out below:

	1 April 2010	Granted in year	Exercised in year	Lapsed in year	31 March 2011	Option price
<b>Neil Stothard</b>						
2007 SAYE Scheme	623	-	-	(623)	-	303p
2008 SAYE Scheme	1,989	-	-	-	1,989	189p
2009 SAYE Scheme	2,927	-	-	-	2,927	124p
2010 SAYE Scheme	-	1,294	-	-	1,294	139p
<b>Mike Holt</b>						
2007 SAYE Scheme	1,247	-	-	(1,247)	-	303p
2008 SAYE Scheme	994	-	-	(994)	-	189p
2009 SAYE Scheme	2,927	-	-	(2,927)	-	124p
2010 SAYE Scheme	-	2,589	-	(2,589)	-	139p
Approved Share Option Scheme	13,700	-	(13,700)	-	-	145.5p

As permitted under the scheme rules Mike Holt exercised his approved options after his date of resignation.

### Share Matching Scheme

Options held under the Share Matching Scheme were:

	1 April 2010	Granted in year	Exercised in year	Lapsed in year	31 March 2011	Vested shares within total	Vested in year
Neil Stothard	39,838	-	-	(6,500)	33,338	-	-
Mike Holt	27,300	-	-	(27,300)	-	-	-

### Long-term Incentive Plan

Awards under the long-term incentive plan were:

	1 April 2010	Granted in year	Exercised in year	Lapsed in year	31 March 2011	Vested shares within total	Vested in year
Jeremy Pilkington*	706,000*	258,000*	-	(89,000)*	875,000*	-	-
Neil Stothard	507,000	185,000	-	(66,000)	626,000	-	-
Mike Holt	345,000	126,000	-	(471,000)	-	-	-

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

The vesting of the outstanding awards at 31 March 2011 is subject to the achievement of performance criteria over the relevant three year periods up to the year ended 31 March 2013.

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 21 to the Financial Statements. The share price on the date the awards were made in the year was 165p.

There were no changes in the interests of the directors between 31 March 2011 and 7 June 2011.

On behalf of the Board

**Peter Parkin**  
Chairman, Remuneration Committee  
7 June 2011

# 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. The Board has prepared this report with reference to the UK Combined Code of Corporate Governance (the "Code") issued by the Financial Reporting Council as revised in June 2008. The Board confirms that throughout the year ended 31 March 2011 the Company has been in compliance with all of the provisions of the Code.

## DIRECTORS

The Board consists of three executive directors and two non-executive directors. The non-executive directors are considered by the Board to be independent under the provisions of the Code on the basis that they are not members of management and they are free of any business or other relationships that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement. Peter Parkin is the Senior Independent Non Executive Director. The Chairman is an executive director. The biographies of the Board members shown on pages 14 and 15 indicate the high level and broad range of experience which the Board possesses.

During the year Mike Holt resigned as Group Finance Director and Allison Bainbridge was appointed.

Appropriate training for new and existing Directors is kept under review and provided where necessary.

## 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 Chairman runs the Board and sets the strategic agenda for the Group. The Group Managing Director is responsible for the operational management of the Group's business.

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 Nomination Committees each have one, with additional meetings held as required.

During the year, all Directors attended the five Board meetings that were held. All of the members of the respective committees attended the two Audit Committee meetings and the one Remuneration Committee meeting held during the year with the exception that one member of the audit committee was unable to attend one of the meetings. The primary role of the Nomination Committee is to ensure that appointments to the key leadership roles within the Group, particularly Board appointments, are made after due consideration of the relevant and necessary skills, knowledge and experience of the potential candidates. In addition it considers succession planning in order to ensure the continued ability of the Group to compete effectively in the market place.

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.

The Board, having implemented improvements following the last formal evaluation of its performance, its committees and that of the Chairman, feels that there are no major issues requiring change, but will continue to evaluate performance on a regular basis and implement changes as necessary. The last evaluation was undertaken using a questionnaire prepared for the Board by Equity Culture, an independent consultant, which drew on its experience of good practice across a range of listed companies.

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 Board meetings and make business presentations to the Board. The evaluation of Board performance concluded that the level of information made available to the Board was of appropriate quality and provided on a timely basis.

# Corporate Governance

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, therefore since Allison Bainbridge has been appointed since the last Annual General Meeting she is required to retire and seek re-election. The articles also require that at least a third of directors should retire and seek re-election each year. Jeremy Pilkington and Steve Rogers shall retire by rotation and seek re-election by shareholders at the next Annual General Meeting. Furthermore, Peter Parkin having served over nine years as a non-executive Director shall retire annually and offers himself for re-appointment by the shareholders at the next annual General Meeting in accordance with the Code (A.7.2).

Full details of directors' remuneration and a statement of the Company's remuneration policy are set out in the Remuneration Report appearing on pages 18 to 21. Each executive director's package is set by the Remuneration Committee in line with the policy adopted by the full Board. Each executive director abstains from any discussion or voting at full Board meetings, on the recommendation of the Remuneration Committee, which have a direct bearing on their own remuneration package.

## COMMUNICATION WITH STAKEHOLDERS

The Board actively seeks and encourages engagement with major institutional shareholders and other stakeholders. The Executive Directors present the Company's interim and full year results to brokers and analysts and also meet fund managers, brokers, analysts and the media on a regular basis to discuss business strategy, results and other issues. Presentation material used in these briefings is published on the Company's website [www.vpplc.com](http://www.vpplc.com)

While the non-executive directors do not ordinarily attend these meetings, they are available if required by stakeholders. Feedback from these meetings, collated by Brewin Dolphin and Abchurch, is reviewed by the Board as a whole.

The Board encourages all shareholders to attend and ask questions at the Annual General Meeting which is attended by all the directors. The Board also actively encourages communication with employees and details of this are noted in the Directors' Report.

## 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 function works to an annual programme developed in consultation with the Committee, as well as covering specific matters arising during the year.

The Committee keeps the scope and cost effectiveness of both the internal and external audit functions under review. This includes a regular review of the effectiveness of the external auditor.

The independence and objectivity of the external auditor is also considered on a regular basis, with particular regard to the level of non-audit work and fees. The split between audit and non-audit fees for the year to 31 March 2011 and information on the nature of the non-audit fees incurred appear in note 3 to the Financial Statements. The non-audit fees which were paid in respect of taxation and other advice 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 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 Code.

The Board has overall responsibility for the Group's system of internal controls and risk management. The Audit Committee reviews and monitors the system's effectiveness on behalf of the Board every six months and ensures that a thorough review in accordance with Turnbull guidance is undertaken annually. The responsibility for the system rests with the executive directors. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

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 in place during the year ended 31 March 2011 and through to the date of this report.

The Statement of the Directors' Responsibilities in relation to the accounts appears on page 26.



# Corporate and Social Responsibility

The Group has a long history of conducting business responsibly and ethically. The Group is very aware of its corporate and social responsibilities and they are an integral part of its business strategy. Our approach to corporate and social responsibility is focused on employees, health and safety, the environment and the community at large.

## EMPLOYEES

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. It is therefore vital that we treat employees 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 opportunity employer and therefore is committed to providing the same level of opportunity to all, regardless of creed, colour, age, sex, disability or sexual orientation.

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

Retaining talented people is vital to our continued success. We therefore have an extensive training programme that commences with a detailed induction programme and moves on to cover all the technical skills that 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. Throughout this process we try to ensure that our people fulfil their potential to the benefit of both the individual and the Group.

The Group has an established whistle blowing policy and employees are free to voice concerns on a confidential basis through the Human Resources Director to ultimately the Chairman, or the non-executive directors, if appropriate.

## 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 are designed to ensure that the health and safety of all our employees and customers 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. Health and safety training is provided as part of the induction process for all new employees and ongoing health and safety training is provided to all employees as appropriate for their roles.

Health and Safety reports and issues are discussed at operational board meetings with updates to the main Board. During the year there were 17 reportable accidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995.

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.

## THE ENVIRONMENT

We are aware of the potential risks which our operations may cause to the environment. It is the Group's policy to ensure as 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.

# Corporate and Social Responsibility

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.

The two main areas where the Group's operations have an impact on the environment are emissions to air (principally CO<sub>2</sub>) from our equipment and through our energy use and the disposal of fuel and oil.

## Emissions to air

The Group has previously undertaken a comprehensive carbon audit with a view to identifying environmental impact mitigation opportunities. The key performance indicators outlined in the table below, enable us to review our performance throughout the year and year on year. The external haulage emissions have been based on assumptions relating to average journey distances and the average fuel usage of hauliers' vehicles. The CO<sub>2</sub> emissions for all categories are based on the DEFRA August 2010 table for converting energy usage to CO<sub>2</sub> emissions.

### Direct Impacts (Operational)

Energy Type	Absolute Tonnes CO <sub>2</sub>		Normalised Tonnes CO <sub>2</sub> per £m Revenue	
	2011	2010	2011	2010
Gas and electricity	<b>2,765</b>	2,669	<b>19.61</b>	19.89
Diesel	<b>10,868</b>	10,610	<b>77.08</b>	79.08
Gas Oil	<b>285</b>	270	<b>2.02</b>	2.02
Total	<b><u>13,918</u></b>	<u>13,549</u>	<b><u>98.71</u></b>	<u>100.99</u>

### Indirect (Supply Chain)

External Haulage	<b><u>3,743</u></b>	<u>3,575</u>	<b><u>26.55</u></b>	<u>26.65</u>
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We have used the results of our carbon audit to highlight areas where we believe we can reduce the impact on the environment of our day to day activities and promote good environmental practices. We have formulated an action plan based on advice received from the Carbon Trust and the Energy Saving Trust which will be used to further develop our environmental programmes and policies.

In absolute terms CO<sub>2</sub> emissions have increased slightly in all categories, however after taking account of the increased trading the normalised figures show a small reduction in CO<sub>2</sub> emissions.

## Waste Management

During the year we have continued to ensure that:

- We are in full compliance with all current legislation through internal review of legislation, working with specialist waste disposal companies and use of external consultants. In this regard most of our divisions are registered under the environmental standard ISO14001.
- All waste is stored securely and disposed of via appropriately registered waste disposal companies. In addition sites which produce hazardous waste are registered with the Environment Agency and waste data is reported to them. Furthermore, relevant divisions are registered under the Waste Electronic and Electrical Equipment Directive.
- Fuel, oil or any other waste products are not allowed into surface water drains or allowed to contaminate land or groundwater.

## 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 2011 we donated over £24,000 (2010: £12,000) to charities. This included donations in support of employees participating in fund raising activities.

# Statement of Directors' Responsibilities

## IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Vp plc

We have audited the financial statements of Vp plc for the year ended 31 March 2011 set out on pages 29 to 61. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

## OPINION ON FINANCIAL STATEMENTS

### In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

### In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on page 23 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;
- a Corporate Governance Statement has not been prepared by the company.

# Auditor's Report

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 17, in relation to going concern;
- the part of the Corporate Governance Statement on pages 22 and 23 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

**Chris Hearld (Senior Statutory Auditor)**  
**For and on behalf of KPMG Audit Plc, Statutory Auditor**  
*Chartered Accountants*

1 The Embankment, Neville Street, Leeds LS1 4DW

**7 June 2011**

# Consolidated Income Statement

for the Year Ended 31 March 2011

	Note	2011 £000	2010 £000
<b>Revenue</b>	2	<b>140,959</b>	134,163
Cost of sales		<u>(106,461)</u>	<u>(99,350)</u>
<b>Gross profit</b>		<b>34,498</b>	34,813
Administrative expenses		<u>(19,577)</u>	<u>(17,869)</u>
<b>Operating profit before amortisation and exceptional items</b>	2	<b>16,472</b>	18,610
Amortisation and impairment of intangibles	9	(962)	(1,323)
Exceptional items	3	(589)	(343)
<b>Operating profit</b>	3	<b>14,921</b>	16,944
Financial income	6	2	17
Financial expenses	6	<u>(2,689)</u>	<u>(2,622)</u>
<b>Profit before amortisation, exceptional items and taxation</b>		<b>13,785</b>	16,005
Amortisation and impairment of intangibles	9	(962)	(1,323)
Exceptional items	3	(589)	(343)
<b>Profit before taxation</b>		<b>12,234</b>	14,339
Income tax expense	7	<u>(2,451)</u>	<u>(4,094)</u>
<b>Net profit for the year</b>		<b>9,783</b>	10,245
Basic earnings per 5p ordinary share	20	<b>23.42p</b>	24.68p
Diluted earnings per 5p ordinary share	20	<b>23.24p</b>	24.36p
Dividend per 5p ordinary share interim paid and final proposed	19	<b>10.80p</b>	10.80p

All profits for the year are attributable to equity holders of the parent company.

# Statements of Comprehensive Income

## Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2011

	Note	2011 £000	2010 £000
<b>Profit for the year</b>		<b>9,783</b>	10,245
Actuarial gains on defined benefit pension scheme	24	526	726
Tax on items taken directly to equity		(147)	(203)
Impact of tax rate change		(77)	-
Effective portion of changes in fair value of cash flow hedges		1,493	439
Foreign exchange translation difference		11	(39)
<b>Total Other Comprehensive Income</b>		<b>1,806</b>	923
<b>Total Comprehensive Income for the year</b>		<b>11,589</b>	11,168

## Parent Company Statement of Comprehensive Income for the Year Ended 31 March 2011

	Note	2011 £000	2010 £000
<b>Profit for the year</b>		<b>5,688</b>	6,831
Actuarial gains on defined benefit pension scheme	24	526	726
Tax on items taken directly to equity		(147)	(203)
Impact of tax rate change		(77)	-
Effective portion of changes in fair value of cash flow hedges		1,493	439
<b>Total Other Comprehensive Income</b>		<b>1,795</b>	962
<b>Total Comprehensive Income for the year</b>		<b>7,483</b>	7,793

# Statements of Changes in Equity

## Consolidated Statement of Changes in Equity for the Year Ended 31 March 2011

	Note	Share Capital £000	Share Premium £000	Hedging Reserve £000	Retained Earnings £000	Non- controlling Interest £000	Total Equity £000
<b>Equity as at 1 April 2009</b>		<b>2,309</b>	<b>16,192</b>	<b>(3,606)</b>	<b>62,257</b>	<b>27</b>	<b>77,179</b>
Total comprehensive income for the year		-	-	439	10,729	-	11,168
Tax movements to equity		-	-	-	1	-	1
Share option charge in the year		-	-	-	434	-	434
Net movement relating to Treasury Shares and shares held by Vp Employee Trust		-	-	-	(85)	-	(85)
Dividend to shareholders	19	-	-	-	(4,510)	-	(4,510)
Total change in equity during the year		-	-	439	6,569	-	7,008
<b>Equity at 31 March 2010</b>		<b>2,309</b>	<b>16,192</b>	<b>(3,167)</b>	<b>68,826</b>	<b>27</b>	<b>84,187</b>
Total comprehensive income for the year		-	-	1,493	10,096	-	11,589
Tax movements to equity		-	-	-	24	-	24
Impact of tax rate change		-	-	-	5	-	5
Share option charge in the year		-	-	-	624	-	624
Net movement relating to Treasury Shares and shares held by Vp Employee Trust		-	-	-	(392)	-	(392)
Dividend to shareholders	19	-	-	-	(4,509)	-	(4,509)
Total change in equity during the year		-	-	1,493	5,848	-	7,341
<b>Equity at 31 March 2011</b>		<b>2,309</b>	<b>16,192</b>	<b>(1,674)</b>	<b>74,674</b>	<b>27</b>	<b>91,528</b>

## Parent Company Statement of Changes in Equity for the Year Ended 31 March 2011

	Note	Share Capital £000	Share Premium £000	Hedging Reserve £000	Retained Earnings £000	Total Equity £000
<b>Equity as at 1 April 2009</b>		<b>2,309</b>	<b>16,192</b>	<b>(3,606)</b>	<b>34,387</b>	<b>49,282</b>
Total comprehensive income for the year		-	-	439	7,354	7,793
Tax movements to equity		-	-	-	1	1
Share option charge in the year		-	-	-	434	434
Net movement relating to Treasury Shares and shares held Vp Employee Trust		-	-	-	(85)	(85)
Dividend to shareholders	19	-	-	-	(4,510)	(4,510)
Total change in equity during the year		-	-	439	3,194	3,633
<b>Equity at 31 March 2010</b>		<b>2,309</b>	<b>16,192</b>	<b>(3,167)</b>	<b>37,581</b>	<b>52,915</b>
Total comprehensive income for the year		-	-	1,493	5,990	7,483
Tax movements to equity		-	-	-	24	24
Impact of tax rate change		-	-	-	5	5
Share option charge in the year		-	-	-	624	624
Net movement relating to Treasury Shares and shares held by Vp Employee Trust		-	-	-	(392)	(392)
Dividend to shareholders	19	-	-	-	(4,509)	(4,509)
Total change in equity during the year		-	-	1,493	1,742	3,235
<b>Equity at 31 March 2011</b>		<b>2,309</b>	<b>16,192</b>	<b>(1,674)</b>	<b>39,323</b>	<b>56,150</b>



# Consolidated Balance Sheet

at 31 March 2011

	Note	2011 £000	2010 £000
<b>Non-current assets</b>			
Property, plant and equipment	8	101,286	98,635
Intangible assets	9	39,599	39,826
<b>Total non-current assets</b>		<b>140,885</b>	<b>138,461</b>
<b>Current assets</b>			
Inventories	11	5,388	3,813
Trade and other receivables	12	33,307	27,330
Cash and cash equivalents	13	5,509	1,385
<b>Total current assets</b>		<b>44,204</b>	<b>32,528</b>
<b>Total assets</b>		<b>185,089</b>	<b>170,989</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	14	(20,020)	(49,692)
Income tax payable		(897)	(263)
Trade and other payables	16	(37,178)	(25,493)
<b>Total current liabilities</b>		<b>(58,095)</b>	<b>(75,448)</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	14	(26,001)	(18)
Employee benefits	24	(178)	(1,127)
Deferred tax liabilities	17	(9,287)	(10,209)
<b>Total non-current liabilities</b>		<b>(35,466)</b>	<b>(11,354)</b>
<b>Total liabilities</b>		<b>(93,561)</b>	<b>(86,802)</b>
<b>Net assets</b>		<b>91,528</b>	<b>84,187</b>
<b>Equity</b>			
Issued share capital	18	2,309	2,309
Share premium		16,192	16,192
Hedging reserve		(1,674)	(3,167)
Retained earnings		74,674	68,826
<b>Total equity attributable to equity holders of the parent</b>		<b>91,501</b>	<b>84,160</b>
<b>Non-controlling interest</b>		<b>27</b>	<b>27</b>
<b>Total equity</b>		<b>91,528</b>	<b>84,187</b>

These financial statements were approved by the Board of Directors on 7 June 2011 and were signed on its behalf by:

**Jeremy Pilkington**  
Chairman

**Allison Bainbridge**  
Director

Company number: 481833

# Parent Company Balance Sheet

at 31 March 2011

	Note	2011 £000	2010 £000
<b>Non-current assets</b>			
Property, plant and equipment	8	52,716	53,088
Intangible assets	9	15,347	14,915
Investments in subsidiaries	10	25,385	25,077
<b>Total non-current assets</b>		<b>93,448</b>	<b>93,080</b>
<b>Current assets</b>			
Inventories	11	1,565	901
Trade and other receivables	12	48,910	50,517
Income tax receivable		-	23
Cash and cash equivalents	13	459	631
<b>Total current assets</b>		<b>50,934</b>	<b>52,072</b>
<b>Total assets</b>		<b>144,382</b>	<b>145,152</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	14	(22,284)	(52,912)
Income tax payable		(513)	-
Trade and other payables	16	(33,621)	(32,001)
<b>Total current liabilities</b>		<b>(56,418)</b>	<b>(84,913)</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	14	(26,000)	-
Employee benefits	24	(178)	(1,127)
Deferred tax liabilities	17	(5,636)	(6,197)
<b>Total non-current liabilities</b>		<b>(31,814)</b>	<b>(7,324)</b>
<b>Total liabilities</b>		<b>(88,232)</b>	<b>(92,237)</b>
<b>Net assets</b>		<b>56,150</b>	<b>52,915</b>
<b>Equity</b>			
Issued share capital	18	2,309	2,309
Share premium		16,192	16,192
Hedging reserve		(1,674)	(3,167)
Retained earnings		39,323	37,581
<b>Total equity</b>		<b>56,150</b>	<b>52,915</b>

These financial statements were approved by the Board of Directors on 7 June 2011 and were signed on its behalf by:

**Jeremy Pilkington**  
Chairman

**Allison Bainbridge**  
Director

Company number: 481833

# Consolidated Statement of Cash Flows

for the Year Ended 31 March 2011

	Note	2011 £000	2010 £000
<b>Cash flows from operating activities</b>			
Profit before taxation		12,234	14,339
Adjustments for:			
Pension fund contributions in excess of expense recognised in Income Statement		(423)	(2,214)
Share based payment charges		624	434
Depreciation	8	18,558	18,901
Amortisation and impairment of intangibles	9	962	1,323
Financial expense		2,689	2,622
Financial income		(2)	(17)
Profit on sale of property, plant and equipment		(2,348)	(3,375)
		<u>32,294</u>	<u>32,013</u>
<b>Operating cash flow before changes in working capital and provisions</b>			
(Increase)/decrease in inventories		(1,571)	1,650
(Increase)/decrease in trade and other receivables		(5,898)	5,484
Increase/(decrease) in trade and other payables		9,029	(1,919)
		<u>33,854</u>	<u>37,228</u>
<b>Cash generated from operations</b>			
Interest paid		(2,677)	(2,453)
Interest element of finance lease rental payments		(31)	(156)
Interest received		2	17
Income taxes paid		(3,065)	(4,546)
		<u>28,083</u>	<u>30,090</u>
<b>Net cash from operating activities</b>			
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		7,188	8,718
Purchase of property, plant and equipment		(21,911)	(16,744)
Acquisition of businesses and subsidiaries (net of cash acquired)	25	(690)	19
		<u>(15,413)</u>	<u>(8,007)</u>
<b>Net cash from investing activities</b>			
<b>Cash flows from financing activities</b>			
Purchase of own shares by Employee Trust and Company		(392)	(85)
Repayment of borrowings		(46,500)	(20,000)
New loans		43,000	4,000
Payment of hire purchase and finance lease liabilities		(189)	(678)
Dividend paid	19	(4,509)	(4,510)
		<u>(8,590)</u>	<u>(21,273)</u>
<b>Net cash used in financing activities</b>			
Net increase in cash and cash equivalents		4,080	810
Effect of exchange rate fluctuations on cash held		44	24
Cash and cash equivalents as at the beginning of the year		1,385	551
		<u>5,509</u>	<u>1,385</u>
<b>Cash and cash equivalents as at the end of the year</b>			

# Parent Company Statement of Cash Flows

for the Year Ended 31 March 2011

	Note	2011 £000	2010 £000
<b>Cash flows from operating activities</b>			
Profit before taxation		7,028	9,496
Adjustments for:			
Pension fund contributions in excess of expense recognised in Income Statement		(423)	(2,214)
Share based payment charges		624	434
Depreciation	8	8,728	8,786
Amortisation of intangibles	9	303	684
Financial expense		2,664	2,522
Financial income		-	(12)
Profit on sale of property, plant and equipment		(1,342)	(2,547)
		<u>17,582</u>	<u>17,149</u>
<b>Operating cash flow before changes in working capital and provisions</b>			
(Increase)/decrease in inventories		(660)	1,021
Decrease in trade and other receivables		1,686	13,210
Increase in trade and other payables		2,885	1,205
		<u>21,493</u>	<u>32,585</u>
<b>Cash generated from operations</b>			
Interest paid		(2,677)	(2,452)
Interest element of finance lease rental payments		(9)	(56)
Interest received		-	12
Income taxes paid		(1,676)	(2,936)
		<u>17,131</u>	<u>27,153</u>
<b>Net cash from operating activities</b>			
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		3,206	5,271
Purchase of property, plant and equipment		(10,290)	(10,032)
Acquisition of subsidiaries (net of cash acquired)		(690)	43
		<u>(7,774)</u>	<u>(4,718)</u>
<b>Net cash from investing activities</b>			
<b>Cash flow from financing activities</b>			
Purchase of own shares by Employee Trust and Company		(392)	(85)
Repayment of borrowings		(46,500)	(20,000)
New loans		43,000	4,000
Payment of finance lease liabilities		(43)	(122)
Dividend paid	19	(4,509)	(4,510)
		<u>(8,444)</u>	<u>(20,717)</u>
<b>Net cash from financing activities</b>			
Net increase in cash and cash equivalents		913	1,718
Cash and cash equivalents as at the beginning of the year		(2,735)	(4,453)
		<u>(1,822)</u>	<u>(2,735)</u>
<b>Cash and cash equivalents net of overdraft as at the end of the year</b>			

# Notes

(forming part of the financial statements)

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

Vp plc is a company incorporated in Great Britain. These consolidated Financial Statements of Vp plc for the year ended 31 March 2011, consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent Company's Financial Statements present information about the Company as a separate entity and not about the Group.

Both the Parent Company Financial Statements and the Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU ("Adopted IFRSs"). In publishing the Parent Company Financial Statements here together with the Group Financial Statements, the Company has taken advantage of the exemptions in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved Financial Statements.

### Basis of preparation

The Financial Statements are presented in sterling, rounded to the nearest thousand. They are prepared on a going concern basis (further details are provided in the Directors' Report) and historic cost basis except that derivative financial instruments and cash settled share options are stated at fair value.

The Group's accounting policies are set out below and have, unless otherwise stated, been applied consistently to all periods presented in these consolidated Financial Statements. The following new standard became effective from 1 July 2009 and hence has been reflected in these financial statements:

- IFRS3 (revised), "Business combinations". The only change in this revised standard which has affected these financial statements is the requirement to expense acquisition costs. This has not had a material effect on the reported result.

At the date of approval of these financial statements the following Standards and interpretations were in issue and endorsed by the EU but not yet effective.

- IFRS 7 – Amendment to Financial Instruments: Disclosure on Derecognition (effective for periods commencing on or after 1 July 2011).
- IAS 12 – Amendment to Income Taxes on deferred tax (effective for periods commencing on or after 1 January 2012).
- IFRS 9 – Financial instruments (effective for periods commencing on or after 1 January 2013).

The adoption of these Standards and Interpretations is not expected to have a material impact on the financial statements of the Group.

### Basis of consolidation

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases.

### Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 April 2004, the date of transition to adopted IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation, as permitted by the exemption in IFRS 1.

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Operating lease payments are accounted for as described in the accounting policy on operating leases.

Profit on disposal of rental equipment from customer losses is credited to cost of sales to reflect the fact that it relates to the routine disposal of rental equipment and in essence is an adjustment to depreciation previously charged. The amendment to IAS 16, "Property, Plant and Equipment", classifies proceeds from the sale of ex rental assets as revenue.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is provided by the Group to write off the cost or deemed cost less estimated residual value of tangible fixed assets using the following annual rates:

Freehold building	-	2% straight line
Leasehold improvements	-	Term of lease
Rental equipment	-	10% - 33% straight line depending on asset type
Motor vehicles	-	25% straight line
Computers	-	33% straight line
Fixtures, fittings and other equipment	-	10% - 20% straight line

Estimates of residual values are reviewed at least annually and adjustments made as appropriate. No depreciation is provided on freehold land.

### Goodwill

All business combinations are accounted for by applying the purchase method. In respect of acquisitions since 1 April 2004, goodwill represents the difference between the cost of acquisitions and the fair value of identifiable net assets and contingent liabilities acquired. Goodwill is stated at cost less any accumulated impairment losses and is included on the balance sheet as an intangible asset. It is allocated to cash generating units and is tested annually for impairment against expected future cash flows from the cash generating unit to which it is allocated. The Group has chosen not to restate business combinations prior to 1 April 2004 on an IFRS basis as permitted by IFRS1. Goodwill is included on the basis of deemed cost for these transactions which represent its carrying value at the date of transition to adopted IFRS.

### Other Intangible Assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is included within cost of sales within the Income Statement. The rate of amortisation attempts to write-off the cost of the intangible asset over its estimated useful life using the following rates:

Customer related intangibles	-	up to 10 years
Supply agreement	-	the initial term of the agreement
Trade names	-	over the estimated initial period of usage

No amortisation is provided where trade names are expected to have an indefinite life.

### Impairment

The carrying amounts of non financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised through the Income Statement. For goodwill and assets that have an indefinite useful life the recoverable amount is tested at each balance sheet date.

### Investments

In the Company's Financial Statements, investments in subsidiary undertakings are stated at cost less impairment.

Dividends received and receivable from post acquisition profit are credited to the Company's Income Statement to the extent that the Company has the right to receive payment.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Raw materials and consumables stock is held primarily for the repair and maintenance of fleet assets. Goods for resale relate to stock held for sale. The basis of expensing stock is either on a first-in first-out basis or weighted average basis depending on the system used within each division.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Trade and other receivables

Trade and other receivables are stated at their due amounts less impairment losses.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the Statement of Cash Flows.

### Interest bearing loans and borrowings

Financial assets and liabilities are recognised on the balance sheet when the Group becomes party to the contractual provision of the instrument. Interest bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the periods of the borrowings on an effective interest basis.

### Taxation

The charge for taxation is based on the results for the year and takes into account full provision for deferred taxation due to temporary differences between the carrying value of an asset or liability and its tax base.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are not discounted and are offset where amounts will be settled on a net basis as a result of a legally enforceable right.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

### Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

### Employee benefits – pensions

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

The Group's net obligation in respect of its defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The Group's net obligation is recorded as a balance sheet liability and the actuarial gains and losses associated with this liability are recognised in the Statement of Comprehensive Income as they arise. All cumulative actuarial gains and losses at 1 April 2004, the date of transition to adopted IFRSs, were recognised directly in equity. Actuarial gains and losses occur when actuarial assumptions including expected returns on scheme assets differ from those previously envisaged by the actuary.

When the benefits of the plan are improved, the proportion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Income Statement.

The full service cost of the pension scheme is charged to operating profit.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Dividend

Dividends are recognised as a liability in the period in which they are declared.

### Employee Trust Shares

The Group has an employee trust (the Vp Employee Trust) for the warehousing of shares in support of awards granted by the Company under its various share option schemes. The Group accounts include the assets and related liabilities of the Vp Employee Trust. In both the Group and Parent Company accounts the shares in the Group held by the employee trust are treated as treasury shares, are held at cost, and presented in the balance sheet as a deduction from retained earnings. The shares are ignored for the purpose of calculating the Group's earnings per share.

### Treasury Shares

When share capital recognised as equity is repurchased and classified as treasury shares the amount of the consideration paid is recognised as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

### Derivative financial instruments

Interest rate and exchange rate swaps are accounted for in the balance sheet at fair value and any movement in fair value is taken to the Income Statement, unless the swap is designated as an effective hedge of the variability in cash flows, an "effective cash flow hedge".

Where a derivative financial instrument is designated as an effective cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised). For cash flow hedges, other than those covered by the preceding policy statement, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

The fair value of interest rate swaps is the estimated amount the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current and future interest rates and the current creditworthiness of the swap counterparties. The fair value of the exchange rate swap is the estimated amount the Group would receive or pay to terminate the swap at the balance sheet date taking account of current and future exchange rates. The carrying value of hedge instruments is presented within other payables.

### Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### Revenue

Revenue represents the amounts (excluding Value Added Tax) derived from the hire of equipment and the provision of goods and services to third party customers during the year. Revenue from equipment hire which is the vast majority of Group revenues, is recognised from the start of hire through to the end of the agreed hire period predominately on a time apportioned basis. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer and revenue from services rendered is recognised in the Income Statement in proportion to the stage of completion of the transaction at the balance sheet date. Proceeds from the disposal of fixed assets are shown in the Group and Parent Company's Statement of Cash Flows and any profit or loss is included within cost of sales. The amendment to IAS 16, "Property, Plant and Equipment", classifies proceeds from the sale of ex rental assets as revenue.



# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share Based Payments

The fair value of share options is charged to the Income Statement based upon their fair value at the date of grant with a corresponding increase in equity. The charge is recognised evenly over the vesting period of the options. The liabilities for cash settled share based payment arrangements are measured at fair value.

The fair values are calculated using an appropriate option pricing model. The Group's Approved, Unapproved and Save As You Earn (SAYE) schemes have been valued using the Black-Scholes model and the Income Statement charge is adjusted to reflect the expected number of options that will vest, based on expected levels of performance against non-market based conditions and the expected number of employees leaving the Group. The fair values of the Group's Long Term Incentive Plan (LTIP) and Share Matching scheme are calculated using a discounted grant price model, again adjusted for expected performance against non-market based conditions and employees leaving the Group. Amendments to IFRS 2, "Share Based Payments", clarifies the treatment of cancelled options, whereby if a grant of equity instruments is cancelled the Group shall account for the cancellation as an acceleration of vesting and shall recognise immediately the amount that would have been recognised over the remainder of the vesting period.

Any cash settled options are valued at their fair value as calculated at each period end, taking account of performance criteria and expected numbers of employees leaving the Group and the liability is reflected in the balance sheet within accruals.

The Group has chosen to adopt the exemption permitted by IFRS 1 whereby, for equity settled options, IFRS 2 is only applied to options granted after 7 November 2002 that had not vested at 1 January 2005.

The parent company recharges the subsidiary entities with the fair value of the share options relating to the employees associated with that entity.

### 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 Income Statement. Non-monetary assets and liabilities that are stated at fair value are translated to sterling at the foreign exchange rates ruling at the date the values were determined.

The assets and liabilities of foreign operations are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at rates approximating to the foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on retranslation are recognised directly in equity.

### Operating leases

Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease.

### Exceptional Items

Exceptional items comprise items of income and expense which merit separate disclosure in order to provide an understanding of the Group's financial performance. Examples of events giving rise to disclosure of income and expense as exceptional include, but are not limited to, reorganisation of operations and economic events which necessitate a review of asset valuations.

### Accounting estimates and judgements

The key accounting policies, estimates and judgements used in preparing the Group's Annual Report and Accounts for the year ended 31 March 2011 have been reviewed and approved by the Audit Committee. The areas of principal accounting uncertainty are estimated useful lives of rental assets, including residual values and assumptions relating to pension costs. In addition the testing for impairment of goodwill and other intangibles requires significant estimates and judgements relating to cash flows.

The Group continually reviews depreciation rates and using its judgement adopts a cautious policy in assessing estimated useful economic lives of fleet assets (see page 37). The rate of technological and legislative change is factored into the estimates, together with the diminution in value through use and time. As an equipment rental specialist, the Group disposes of used assets and generally achieves profits on disposals which are used to further assess the level of provisioning for asset depreciation across the Group.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The key assumptions applied to pensions are disclosed in note 24. The pension scheme liabilities are derived using actuarial assumptions for inflation, future salary increases, discount rates and mortality rates which are inherently uncertain. Due to the relative size of the scheme liabilities, small changes to these assumptions can give rise to a significant impact on the pension scheme deficit reported in the Balance Sheet.

Goodwill and other intangibles are tested for impairment by reference to the expected estimated cash generated by the business unit. This is deemed to be the best approximation of value, but is subject to the same uncertainties as the cash flow forecast being used.

In addition the Group's results are subject to fluctuations caused by the cash settled share options as these are required to be re-measured at each reporting date based on the Company share price. Changes in the Company's share price during the reporting period therefore impact the charge to the Income Statement for cash settled options, including vested but not exercised options, as well as unvested options. The impact of a 10 pence increase in share price would increase the charge to the Income Statement by £40,000 (2010: £8,000).

## 2. SEGMENT REPORTING

Segment reporting is presented in respect of the Group's business and geographical segments. The Group's segments and reportable segments are the six business units. Details of these are set out on page 1. Total revenue in 2011 was £140,959,000 (2010: £134,163,000). Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### Geographical segments

Revenue is generated mainly within the United Kingdom with no single overseas geographical area accounting for more than 10% of the Group revenue. Total overseas revenue was £20.3m (2010: £20.6m). In addition, all material assets and liabilities of the Group are accounted for by UK based companies.

### Business Segments

	Revenue						Operating profit before amortisation and exceptional items	
	2011			2010			2011	2010
	External Revenue	Internal Revenue	Total Revenue	External Revenue	Internal Revenue	Total Revenue		
	£000	£000	£000	£000	£000	£000	£000	£000
Groundforce	30,314	220	30,534	32,874	290	33,164	6,711	9,169
UK Forks	10,789	310	11,099	10,625	235	10,860	1,055	16
Airpac Bukom	17,451	-	17,451	15,677	-	15,677	2,701	3,865
Torrent Trackside	14,903	85	14,988	10,635	20	10,655	1,618	175
TPA	13,966	45	14,011	14,231	50	14,281	1,434	2,162
Hire Station	53,536	425	53,961	50,121	265	50,386	2,953	3,223
	<b>140,959</b>	<b>1,085</b>	<b>142,044</b>	<b>134,163</b>	<b>860</b>	<b>135,023</b>	<b>16,472</b>	<b>18,610</b>

# Notes

## 2. SEGMENT REPORTING (continued)

Business Segments	Assets		Liabilities		Net Assets	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Groundforce	37,364	35,952	7,863	7,358	29,501	28,594
UK Forks	14,555	11,587	3,119	1,994	11,436	9,593
Airpac Bukom	29,111	31,183	5,122	4,245	23,989	26,938
Torrent Trackside	10,728	7,021	4,578	1,889	6,150	5,132
TPA	28,740	29,249	4,395	4,006	24,345	25,243
Hire Station	62,501	55,501	17,894	11,394	44,607	44,107
Group/unallocated	2,090	496	50,590	55,916	(48,500)	(55,420)
	<b>185,089</b>	<b>170,989</b>	<b>93,561</b>	<b>86,802</b>	<b>91,528</b>	<b>84,187</b>

	Acquired Assets		Capital Expenditure		Depreciation and Amortisation	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Groundforce	739	(48)	4,096	3,648	3,702	4,209
UK Forks	-	-	4,442	53	1,645	1,758
Airpac Bukom	-	-	1,691	4,697	3,640	3,434
Torrent Trackside	-	-	3,181	862	1,643	1,885
TPA	-	-	1,572	639	1,569	1,437
Hire Station	-	-	10,903	4,790	6,874	7,179
Group/unallocated	-	-	181	366	447	322
	<b>739</b>	<b>(48)</b>	<b>26,066</b>	<b>15,055</b>	<b>19,520</b>	<b>20,224</b>

Acquired assets relate to non-current assets acquired as a result of acquisitions, including intangible assets and goodwill. Capital expenditure relates to tangible fixed assets acquired in the normal course of business.

Included within segmental assets above is goodwill and indefinite life intangibles in relation to Groundforce of £8.5m, Airpac Bukom £4.8m, TPA £9.3m and Hire Station £12.8m.

## 3. OPERATING PROFIT

	2011 £000	2010 £000
<b>Operating profit is stated after charging/(crediting):</b>		
Amortisation of intangible assets	962	1,323
Depreciation of property, plant and equipment – owned	18,516	18,777
– leased	42	124
Rent of land and buildings	3,953	3,859
Hire of other assets	8,959	9,303
Profit on sale of plant and equipment	(2,348)	(3,375)
<b>Amounts paid to auditors:</b>		
Audit fees – parent company annual accounts	56	55
– other group companies	65	61
– total group	121	116
Tax services	111	74
Other services pursuant to legislation	25	27

Amounts paid to the Company's auditor in respect of services to the Company, other than audit of the Company's Financial Statements have not been disclosed as the information is required to be disclosed on a consolidated basis.

# Notes

## 3. OPERATING PROFIT (continued)

<b>Exceptional items</b>	<b>2011</b>	2010
	<b>£000</b>	£000
Employment termination and restructuring costs	<b>589</b>	456
Profit on disposal of freehold property	-	(113)
	<b><u>589</u></b>	<u>343</u>

## 4. EMPLOYMENT COSTS

### Group

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

	<b>Number of employees</b>	
	<b>2011</b>	2010
Operations	<b>1,034</b>	1,027
Sales	<b>155</b>	162
Administration	<b>219</b>	219
	<b><u>1,408</u></b>	<u>1,408</u>

The aggregate payroll costs of these persons were as follows:

	<b>2011</b>	2010
	<b>£000</b>	£000
Wages and salaries	<b>40,123</b>	38,633
Social security costs	<b>3,827</b>	3,769
Defined benefit pension costs	<b>(47)</b>	156
Other pension related costs	<b>807</b>	707
Share option costs including associated social security costs - equity settled	<b>788</b>	503
- cash settled	<b>467</b>	108
	<b><u>45,965</u></b>	<u>43,876</u>

## 5. REMUNERATION OF DIRECTORS

The Group's key management are the executive and non-executive Directors. The aggregate remuneration paid to or accrued for the Directors for services in all capacities during the period is as follows:

	<b>2011</b>	2010
	<b>£000</b>	£000
Basic remuneration including bonus and benefits	<b>1,428</b>	1,180
Cash allowances/pension contributions	<b>335</b>	203
	<b><u>1,763</u></b>	<u>1,383</u>

Further details of Directors' remuneration and pensions are given in the Remuneration Report on pages 18 to 21.

# Notes

## 6. FINANCIAL INCOME AND EXPENSES

	2011 £000	2010 £000
Financial income:		
Bank and other interest receivable	<u>2</u>	<u>17</u>
Financial expenses:		
On bank loans and overdrafts	<b>(2,658)</b>	(2,466)
Finance charges payable in respect of finance leases and hire purchase contracts	<b>(31)</b>	(156)
	<b><u>(2,689)</u></b>	<b><u>(2,622)</u></b>

## 7. INCOME TAX EXPENSE

	2011 £000	2010 £000
<b>Current tax expense</b>		
UK Corporation tax charge at 28% (2010: 28%)	<b>3,473</b>	2,398
Overseas tax	<b>250</b>	279
UK adjustments relating to earlier years	<b>(85)</b>	(157)
Total current tax	<b><u>3,638</u></b>	<u>2,520</u>
<b>Deferred tax expense</b>		
Current year deferred tax	<b>(392)</b>	1,283
Impact of tax rate change	<b>(788)</b>	-
Adjustments to deferred tax relating to earlier years	<b>(7)</b>	291
Total deferred tax	<b><u>(1,187)</u></b>	<u>1,574</u>
<b>Total tax expense in income statement</b>	<b><u>2,451</u></b>	<u>4,094</u>

	2011 %	2011 £000	2010 %	2010 £000
Profit on ordinary activities before tax		<b>12,234</b>		14,339
Profit on ordinary activities multiplied by standard rate of corporation tax	<b>28.0</b>	<b>3,426</b>	28.0	4,015
Effects of:				
Impact of tax rate changes	<b>(6.4)</b>	<b>(788)</b>	-	-
Expenses not deductible for tax purposes	<b>0.8</b>	<b>96</b>	0.5	66
Non-qualifying depreciation	<b>1.6</b>	<b>193</b>	0.9	133
Share option schemes	<b>(1.4)</b>	<b>(168)</b>	-	-
Gains covered by exemption/losses	<b>(1.8)</b>	<b>(214)</b>	(1.8)	(264)
Overseas tax rate	-	<b>(2)</b>	0.1	10
Adjustments to tax charge in respect of previous years	<b>(0.8)</b>	<b>(92)</b>	0.9	134
Total tax charge for the year	<b><u>20.0</u></b>	<b><u>2,451</u></b>	<u>28.6</u>	<u>4,094</u>

### Deferred tax recognised directly through equity

	2011 £000	2010 £000
Relating to share based payments	<b>(23)</b>	-
Relating to historic asset revaluations	<b>(1)</b>	(1)
Relating to actuarial loss on defined benefit pension scheme	<b>147</b>	203
Impact of tax rate change	<b>72</b>	-
	<b><u>195</u></b>	<u>202</u>

The Government has announced further reductions in the rate of Corporation Tax. It is estimated that for each 1% reduction in the tax rate which is enacted there will be a credit to the Income Statement of approximately £0.35m.

# Notes

## 8. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and Buildings	Rental Equipment	Motor Vehicles	Other Assets	Total
	£000	£000	£000	£000	£000
<b>Cost or deemed cost</b>					
At 1 April 2009	11,380	154,202	2,036	8,492	176,110
Additions	234	13,869	149	803	15,055
Exchange rate differences	(3)	(64)	(5)	(2)	(74)
Disposals	(169)	(15,246)	(349)	(351)	(16,115)
At 31 March 2010	11,442	152,761	1,831	8,942	174,976
Additions	538	24,197	207	1,124	26,066
Acquisitions	-	-	-	4	4
Disposals	-	(13,603)	(160)	(56)	(13,819)
Exchange rate differences	-	(24)	-	-	(24)
Transfer between categories	-	-	84	(84)	-
At 31 March 2011	11,980	163,331	1,962	9,930	187,203
<b>Depreciation and impairment losses</b>					
At 1 April 2009	4,187	57,767	1,151	5,116	68,221
Charge for year	520	16,845	360	1,176	18,901
Exchange rate differences	(1)	(7)	(1)	-	(9)
On disposals	(39)	(10,075)	(307)	(351)	(10,772)
At 31 March 2010	4,667	64,530	1,203	5,941	76,341
Charge for year	495	16,647	340	1,076	18,558
On disposals	-	(8,790)	(140)	(49)	(8,979)
Exchange rate differences	-	(5)	(1)	3	(3)
Transfer between categories	-	-	78	(78)	-
At 31 March 2011	5,162	72,382	1,480	6,893	85,917
<b>Carrying amount</b>					
<b>At 31 March 2011</b>	<b>6,818</b>	<b>90,949</b>	<b>482</b>	<b>3,037</b>	<b>101,286</b>
At 31 March 2010	6,775	88,231	628	3,001	98,635
At 31 March 2009	7,193	96,435	885	3,376	107,889

COMPANY	Land and Buildings	Rental Equipment	Motor Vehicles	Other Assets	Total
	£000	£000	£000	£000	£000
<b>Cost or deemed cost</b>					
At 1 April 2009	7,417	77,652	688	3,110	88,867
Additions	142	8,040	39	402	8,623
Group transfers	-	(168)	-	-	(168)
Disposals	-	(6,985)	(112)	(1)	(7,098)
At 31 March 2010	7,559	78,539	615	3,511	90,224
Additions	303	9,443	1	322	10,069
Group transfers	-	(370)	-	4	(366)
Disposals	-	(3,489)	(17)	(19)	(3,525)
At 31 March 2011	7,862	84,123	599	3,818	96,402
<b>Depreciation and impairment losses</b>					
At 1 April 2009	2,376	28,625	406	1,535	32,942
Charge for year	224	7,982	112	468	8,786
Group transfers	-	(136)	-	-	(136)
On disposals	-	(4,367)	(88)	(1)	(4,456)
At 31 March 2009	2,600	32,104	430	2,002	37,136
Charge for year	220	7,984	90	434	8,728
Group transfers	-	(169)	-	-	(169)
On disposals	-	(1,985)	(10)	(14)	(2,009)
At 31 March 2011	2,820	37,934	510	2,422	43,686
<b>Carrying amount</b>					
<b>At 31 March 2011</b>	<b>5,042</b>	<b>46,189</b>	<b>89</b>	<b>1,396</b>	<b>52,716</b>
At 31 March 2010	4,959	46,435	185	1,509	53,088
At 31 March 2009	5,041	49,027	282	1,575	55,925

# Notes

## 8. PROPERTY, PLANT AND EQUIPMENT (continued)

The cost or deemed cost of land and buildings for the Group and the Company includes £2,176,000 (2010: £2,176,000) of freehold land not subject to depreciation.

Included in the total net book value of fixed assets of the Group is £13,000 (2010: £1,543,000) in respect of assets held under finance leases and similar hire purchase contracts, Company Enil (2010: £194,000). The leased equipment secures lease obligations (see note 14). Depreciation for the year on these Group assets was £42,000 (2010: £124,000) and £19,000 (2010: £18,000) for the Company. In addition the banks have a fixed and floating charge over the assets of the Group as set out in note 14.

## 9. INTANGIBLE ASSETS

### GROUP

	Trade Names £000	Customer Relationships £000	Supply Agreements £000	Goodwill £000	Total £000
<b>Cost or deemed cost</b>					
At 1 April 2009	2,118	5,349	1,176	33,846	42,489
Adjustment to contingent consideration	-	-	-	(48)	(48)
At 31 March 2010	2,118	5,349	1,176	33,798	42,441
Acquired through business combinations	-	264	-	471	735
At 31 March 2011	2,118	5,613	1,176	34,269	43,176
<b>Accumulated amortisation and impairment</b>					
At 1 April 2009	120	763	409	-	1,292
Amortisation charge	72	535	716	-	1,323
At 31 March 2010	192	1,298	1,125	-	2,615
Amortisation and impairment charge	72	559	51	280	962
At 31 March 2011	264	1,857	1,176	280	3,577
<b>Carrying amount</b>					
<b>At 31 March 2011</b>	<b>1,854</b>	<b>3,756</b>	<b>-</b>	<b>33,989</b>	<b>39,599</b>
At 31 March 2010	1,926	4,051	51	33,798	39,826
At 31 March 2009	1,998	4,586	767	33,846	41,197

The carrying value of intangibles and goodwill has been assessed for impairment by reference to its value in use. Values have been estimated using cash flow projections over a period of up to 10 years derived from the approved budget for the coming year. The discount rate applied was 9% being the estimated weighted average cost of capital which is consistent with last year, but is still considered appropriate for all businesses. A growth rate factor was not applied to the projections as value in use exceeded the carrying amounts before any such assumption was applied. Based on this testing the Directors do not consider any of the goodwill or intangible assets to be impaired even allowing for a reasonable degree of sensitivity to the underlying assumptions, including the discount rate. During the year the goodwill associated with a sub division of TPA was fully written off as the sub division has ceased trading, the total Group charge was £0.3m.

An intangible asset with an indefinite life totalling £1,400,000 (2010: £1,400,000) is included within trade names and relates to the TPA name on the basis that it is expected to be maintained indefinitely and continue to deliver future value to the Group. The impairment test of this has been performed using the same assumptions as for the other intangibles.

# Notes

## 9. INTANGIBLE ASSETS (continued)

COMPANY	Trade Names	Customer Relationships	Supply Agreements	Goodwill	Total
Cost or deemed cost	£000	£000	£000	£000	£000
At 1 April 2009	376	2,418	72	12,698	15,564
Transfer from cost of investment	-	-	-	5	5
Group transfer	-	-	405	-	405
At 31 March 2010	376	2,418	477	12,703	15,974
Transfer from cost of investment	-	190	-	471	661
Fair value of deferred tax on intangibles	-	74	-	-	74
At 31 March 2011	376	2,682	477	13,174	16,709
<b>Accumulated amortisation</b>					
At 1 April 2009	41	262	72	-	375
Amortisation charge	37	242	405	-	684
At 31 March 2010	78	504	477	-	1,059
Amortisation charge	38	265	-	-	303
At 31 March 2011	116	769	477	-	1,362
<b>Carrying amount</b>					
<b>At 31 March 2011</b>	<b>260</b>	<b>1,913</b>	<b>-</b>	<b>13,174</b>	<b>15,347</b>
At 31 March 2010	298	1,914	-	12,703	14,915
At 31 March 2009	335	2,156	-	12,698	15,189

The Directors have reviewed the carrying amount of the Company's goodwill on the same basis as the Group's goodwill and concluded that no impairment charge is required.

## 10. INVESTMENTS IN SUBSIDIARIES

COMPANY	£000
<b>Cost</b>	
At 1 April 2009	26,769
Transfer to goodwill	(5)
At 1 April 2010	26,764
Acquisition	969
Transfer to goodwill	(661)
At 31 March 2011	27,072
<b>Impairment</b>	
At 1 April 2009, 31 March 2010 and 31 March 2011	1,687
<b>Carrying amount</b>	
<b>At 31 March 2011</b>	<b>25,385</b>
At 31 March 2010	25,077
At 31 March 2009	25,082

The significant investments in subsidiary undertakings are:

	Country of Registration or Incorporation	Principal Activity	Country of Principal Operation	Class and Percentage of Shares Held
Torrent Trackside Limited	England	Rail equipment hire	UK	Ordinary shares 100%
Hire Station Limited	England	Tool hire	UK	Ordinary shares 100%
TPA Portable Roadways Limited	England	Hire of portable roadways	UK	Ordinary shares 100%



# Notes

## 11. INVENTORIES

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Raw materials and consumables	<b>2,198</b>	1,353	<b>663</b>	562
Goods for resale	<b>3,190</b>	2,460	<b>902</b>	339
	<b><u>5,388</u></b>	<u>3,813</u>	<b><u>1,565</u></b>	<u>901</u>

## 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Trade receivables	<b>28,736</b>	24,135	<b>11,016</b>	9,501
Amounts owed by subsidiary undertakings	-	-	<b>36,324</b>	39,853
Other receivables	<b>190</b>	64	-	-
Prepayments and accrued income	<b>4,381</b>	3,131	<b>1,570</b>	1,163
	<b><u>33,307</u></b>	<u>27,330</u>	<b><u>48,910</u></b>	<u>50,517</u>

There are £6.7m of trade receivables that are overdue at the balance sheet date that have not been provided against. There is no indication as at 31 March 2011 that debtors will not meet their payment obligations in respect of trade receivables recognised in the balance sheet that are overdue and unprovided. During the year there was a decrease in the provisions for impairment of trade receivables of £888,000 (2010: £910,000 decrease). The decrease reflects the level of write offs during the year and the Group's judgement regarding the risks associated with collecting trade receivables. The Group has a reasonable spread of credit risk with the top 25 customers accounting for significantly less than 50% of gross trade debtors. The ageing of the Group's trade receivables (net of impairment provision) at the end of the year was as follows:

	2011	2010
	£000	£000
Not overdue	<b>21,992</b>	17,136
0 - 30 days overdue	<b>4,604</b>	4,155
31 - 90 days overdue	<b>1,678</b>	1,679
More than 90 days overdue	<b>462</b>	1,165
	<b><u>28,736</u></b>	<u>24,135</u>

## 13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank balances	<b>5,509</b>	1,385	<b>459</b>	631

# Notes

## 14. INTEREST-BEARING LOANS AND BORROWINGS

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>Current liabilities</b>				
Bank overdraft	-	-	2,281	3,366
Secured bank loans	20,000	49,500	20,000	49,500
Obligations under finance leases and hire purchase contracts	20	192	3	46
	<u>20,020</u>	<u>49,692</u>	<u>22,284</u>	<u>52,912</u>
<b>Non-current liabilities</b>				
Secured bank loans	26,000	-	26,000	-
Obligations under finance leases and hire purchase contracts	1	18	-	-
	<u>26,001</u>	<u>18</u>	<u>26,000</u>	<u>-</u>

The repayment schedule of the carrying amount of the non-current liabilities as at 31 March 2011 is:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>Due in more than one year but not more than two years:</b>				
Obligations under finance leases and hire purchase contracts	1	17	-	-
	<u>1</u>	<u>17</u>	<u>-</u>	<u>-</u>
<b>Due in more than two years but not more than five years:</b>				
Secured bank loans	26,000	-	26,000	-
Obligations under finance leases and hire purchase contracts	-	1	-	-
	<u>26,000</u>	<u>1</u>	<u>26,000</u>	<u>-</u>
<b>Total</b>	<u>26,001</u>	<u>18</u>	<u>26,000</u>	<u>-</u>

The Group's bank accounts are subject to set off arrangements covered by cross guarantees and, where appropriate, 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 LIBOR. The unutilised bank facilities available to the Group as at 31 March 2011 were £19.0m.

There is no material difference between the carrying value and fair value of the Group's borrowings. Further details relating to the Group's funding strategy (including the maturity details of the bank loans) and its credit, interest rate and currency risk policies are provided in the Financial Review on pages 10 to 13. The loans are subject to covenants and these have been fulfilled at all times during the year.

### Liquidity Risk

The following are cash flows relating to the Group's financial liabilities, including estimated interest payments, but excluding the impact of netting agreements, based on the assumption that the year end loans are repaid at the end of the committed period and interest rates remain constant.

GROUP	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1-2 years £000	2-5 years £000
<b>31 March 2011</b>					
Secured bank loans	46,000	48,458	20,371	-	28,087
Finance lease liabilities	21	29	25	4	-
Trade and other payables	37,178	37,178	37,178	-	-
	<u>83,199</u>	<u>85,665</u>	<u>57,574</u>	<u>4</u>	<u>28,087</u>
<b>31 March 2010</b>					
Secured bank loans	49,500	50,725	50,725	-	-
Finance lease liabilities	210	243	222	21	-
Trade and other payables	25,493	25,493	25,493	-	-
	<u>75,203</u>	<u>76,461</u>	<u>76,440</u>	<u>21</u>	<u>-</u>

# Notes

## 14. INTEREST-BEARING LOANS AND BORROWINGS (continued)

COMPANY	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1-2 years £000	2-5 years £000
<b>31 March 2011</b>					
Secured bank loans	46,000	48,458	20,371	-	28,087
Bank overdraft	2,281	2,281	2,281	-	-
Finance lease liabilities	3	4	4	-	-
Trade and other payables	33,621	33,621	33,621	-	-
	<u>81,905</u>	<u>84,364</u>	<u>56,277</u>	<u>-</u>	<u>28,087</u>
<b>31 March 2010</b>					
Secured bank loans	49,500	50,725	50,725	-	-
Bank overdraft	3,366	3,366	3,366	-	-
Finance lease liabilities	46	53	53	-	-
Trade and other payables	32,001	32,001	32,001	-	-
	<u>84,913</u>	<u>86,145</u>	<u>86,145</u>	<u>-</u>	<u>-</u>

### Hire purchase and finance lease liabilities

GROUP	Payment	Interest	Principal	Payment	Interest	Principal
	2011 £000	2011 £000	2011 £000	2010 £000	2010 £000	2010 £000
Less than one year	<b>25</b>	<b>(5)</b>	<b>20</b>	222	(30)	192
Between one and five years	<b>2</b>	<b>(1)</b>	<b>1</b>	21	(3)	18
	<u>27</u>	<u>(6)</u>	<u>21</u>	<u>243</u>	<u>(33)</u>	<u>210</u>

## 15. FINANCIAL INSTRUMENTS

The Group has three interest rate swaps which are held for hedging purposes in order to reduce the risk of exposure to changes in interest rates on the Group's secured bank loans. These swaps, all of which are for £7.5m of debt, were taken out in September 2007, December 2007 and July 2008. All these swaps are for a period of 5 years, with a bank only call option after 3 years. They fix interest rates net of bank margin at between 5.20% and 5.56%. In addition the Group enters into basis rate swap agreements which are designed to provide an interest saving on existing arrangements whilst maintaining the effectiveness of the original swaps. All of the swaps are effective cash flow hedges and the movements in fair values have been taken to equity. Fair values of the derivatives have been determined by the respective counterparties based on quoted prices in active markets for identical assets and liabilities. An analysis of fair values by hierarchy level is provided below:

Liabilities measured at fair value:

	31 March 2011				31 March 2010
	Total £000	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities at fair value:					
Interest rate swaps	<b>1,625</b>	-	<b>1,625</b>	-	2,800
Forward exchange rate agreements	<b>13</b>	-	<b>13</b>	-	389
	<u>1,638</u>	<u>-</u>	<u>1,638</u>	<u>-</u>	<u>3,189</u>

The movements in liabilities within Level 2 trading derivatives are reconciled below:

	31 March 2011		Total £000
	Interest rate swaps £000	Forward exchange rate agreements £000	
Opening liability	<b>2,800</b>	<b>389</b>	<b>3,189</b>
Other comprehensive income	<b>(1,175)</b>	<b>(318)</b>	<b>(1,493)</b>
Recycled to income statement	-	<b>(58)</b>	<b>(58)</b>
Closing balance	<u>1,625</u>	<u>13</u>	<u>1,638</u>

There have been no transfers between levels of the fair value hierarchy.

# Notes

## 15. FINANCIAL INSTRUMENTS (continued)

The Group has five foreign exchange hedges, four of which were taken out during the year ended 31 March 2011 to reduce the risk of foreign exchange fluctuations between the US dollar and Sterling. A further hedge was taken out in September 2010 to reduce the risk of exchange fluctuations between the Australian dollar and Sterling. All exchange rate swaps are effective cash flow hedges and movements in the fair value have been taken to equity.

There are no material differences between the carrying value and the fair value of the Group's other financial instruments including trade debtors and trade creditors. The risks associated with interest rate and foreign exchange rate management are discussed in the Treasury Management section of the Financial Review on pages 10 to 13, as are the risks relating to credit and currency management, this disclosure has been subject to audit.

### Financial Sensitivity Analysis

Ten per cent movements in Sterling exchange rates and interest rates in the current and prior year would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Equity and Profit / (Loss)	
	2011	2010
	£000	£000
<b>10% strengthening of Sterling against:</b>		
US Dollar	73	117
Australian Dollar	63	166
<b>10% weakening of Sterling against:</b>		
US Dollar	(90)	(144)
Australian Dollar	(72)	(203)
<b>10% movement in Sterling interest rates:</b>		
Increase in interest rates	(38)	(24)
Decrease in interest rates	38	25

The exposure of the Group to other foreign exchange rate movements is not significant and therefore is not presented in the analysis above.

## 16. TRADE AND OTHER PAYABLES

Current liabilities	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Trade payables	18,759	11,429	4,479	4,322
Amounts owed to subsidiary undertakings	-	-	19,973	19,753
Other taxes and social security	2,633	2,368	1,561	976
Other payables	3,936	4,221	1,638	3,189
Accruals and deferred income	11,850	7,475	5,970	3,761
	<u>37,178</u>	<u>25,493</u>	<u>33,621</u>	<u>32,001</u>

# Notes

## 17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

GROUP	Property, plant and equipment £000	Intangible assets £000	Employee benefits £000	Other items £000	Total £000
1 April 2009	9,105	1,968	(1,515)	(1,125)	8,433
Recognised in income	757	(30)	450	397	1,574
Recognised in equity	-	-	203	(1)	202
At 31 March 2010	9,862	1,938	(862)	(729)	10,209
Recognised on acquisition	-	73	-	-	73
Recognised in income	(1,049)	(231)	(177)	270	(1,187)
Recognised in equity	-	-	203	(8)	195
Foreign exchange	(3)	-	-	-	(3)
<b>At 31 March 2011</b>	<b>8,810</b>	<b>1,780</b>	<b>(836)</b>	<b>(467)</b>	<b>9,287</b>

COMPANY	Property, plant and equipment £000	Intangible assets £000	Employee benefits £000	Other items £000	Total £000
1 April 2009	6,270	780	(1,515)	(893)	4,642
Recognised in income	627	(51)	450	327	1,353
Recognised in equity	-	-	203	(1)	202
At 31 March 2010	6,897	729	(862)	(567)	6,197
Recognised on acquisition	-	73	-	-	73
Recognised in income	(781)	(111)	(177)	240	(829)
Recognised in equity	-	-	203	(8)	195
<b>At 31 March 2011</b>	<b>6,116</b>	<b>691</b>	<b>(836)</b>	<b>(335)</b>	<b>5,636</b>

Deferred tax assets have been recognised on employee benefits and other items on the basis that there will be future taxable profits against which these assets can be utilised.

## 18. CAPITAL AND RESERVES

	<b>2011</b>	2010
<b>Ordinary share capital</b>	<b>£000</b>	£000
<b>Allotted, called up and fully paid</b>		
46,185,000 Ordinary shares of 5 pence each (2010: 46,185,000)	<b>2,309</b>	<b>2,309</b>

All shares have the same voting rights.

### Reserves

Full details of reserves are provided in the consolidated and parent company statements of changes in equity on page 31.

### Own shares held

Deducted from retained earnings (Group and Company) is £11,414,000 (2010: £11,248,000) in respect of own shares held by the Vp Employee Trust and the Company. The Trust acts as a repository of issued Company shares and held 3,237,000 shares (2010: 3,073,000) with a market value at 31 March 2011 of £7,606,000 (2010: £5,594,000). The Company has 1,215,000 treasury shares (2010: 1,215,000 shares) with a market value of £2,855,000 (2010: £2,211,000).

# Notes

## 19. DIVIDENDS

	<b>2011</b>	2010
	<b>£000</b>	£000
Amounts recognised as distributions to equity holders of the parent in the year:		
Ordinary shares:		
Final paid 7.70p (2010: 7.70p) per share	<b>3,215</b>	3,212
Interim paid 3.10p (2010: 3.10p) per share	<b>1,294</b>	1,298
	<b><u>4,509</u></b>	<u>4,510</u>

The dividend paid in the year is after dividends were waived to the value of £479,000 (2010: £478,000) in relation to shares held by the Vp Employee Trust and the Company as Treasury Shares. These dividends will continue to be waived in the future.

In addition the Directors are proposing a final dividend in respect of the current year of 7.7p per share which will absorb an estimated £3,202,000 of shareholders' funds. The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## 20. EARNINGS PER SHARE

### Basic earning per share

The calculation of basic earnings per share of 23.42 pence (2010: 24.68 pence) was based on the profit attributable to equity holders of the parent of £9,783,000 (2010: £10,245,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2011 of 41,776,000 (2010: 41,514,000), calculated as follows:

	<b>2011</b>	2010
	<b>Shares</b>	Shares
	<b>000's</b>	000's
Issued ordinary shares	<b>46,185</b>	46,185
Effect of own shares held	<b>(4,409)</b>	(4,671)
Weighted average number of ordinary shares	<b><u>41,776</u></b>	<u>41,514</u>

Basic earnings per share before the amortisation of intangibles was 26.09 pence (2010: 27.57 pence) and is based on an after tax add back of £1,117,000 (2010: £1,200,000) in respect of the amortisation of intangibles and exceptional items.

### Diluted earnings per share

The calculation of diluted earnings per share of 23.24 pence (2010: 24.36 pence) was based on profit attributable to equity holders of the parent of £9,783,000 (2010: £10,245,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2011 of 42,096,000 (2010: 42,056,000), calculated as follows:

	<b>2011</b>	2010
	<b>Shares</b>	Shares
	<b>000's</b>	000's
Weighted average number of ordinary shares	<b>41,776</b>	41,514
Effect of share options on issue	<b>320</b>	542
Weighted average number of ordinary shares (diluted)	<b><u>42,096</u></b>	<u>42,056</u>

There are additional options which are not currently dilutive, but may become dilutive in the future.

Diluted earnings per share before the amortisation of intangibles was 25.89 pence (2010: 27.21 pence).

# Notes

## 21. SHARE OPTION SCHEMES

### SAYE Scheme

During the year options over a further 514,210 shares were granted under the SAYE scheme at a price of 139 pence. The outstanding options at the year end were:

Date of Grant	Price per share	Number of shares
August 2008	189p	256,829
August 2009	124p	565,555
August 2010	139p	465,157
		<u>1,287,541</u>

All the options are exercisable between 3 and 3.5 years. At 31 March 2011 there were 402 employees saving an average £124 per month in respect of options under the SAYE scheme. The only SAYE scheme condition is continuous employment over the term of the option.

### Approved Share Option Scheme

Options over a further 155,000 shares were granted during the year at a price of 165 pence. The options outstanding at the year end were:

Date of Grant	Price per share	Number of shares
June 2002	93.0p	5,000
June 2003	104.0p	13,875
June 2004	145.5p	48,676
July 2005	200.0p	180,000
July 2006	293.5p	254,500
July 2008	213.0p	248,000
July 2009	154.0p	262,000
July 2010	165.0p	145,000
		<u>1,157,051</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2008 to 2010 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 19. The awards for 2006 and prior are vested, but not yet exercised.

### Unapproved Share Option Scheme

Options over 1,085,000 shares were granted during the year at a price of 165 pence. The options outstanding at the year end were:

Date of Grant	Price per share	Number of shares
July 2004	145.5p	109,750
July 2005	200.0p	370,000
July 2006	293.5p	264,000
July 2008	213.0p	459,500
July 2009	154.0p	935,000
July 2010	165.0p	1,060,000
		<u>3,198,250</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2008 to 2010 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 19. The awards for 2006 and prior are vested, but not yet exercised.

# Notes

## 21. SHARE OPTION SCHEMES (continued)

### Long-Term Incentive Plan

Awards were made during the year in relation to a further 918,000 shares. Shares outstanding at the year end were:

	Number of shares
July 2008	514,000
July 2009	1,186,000
July 2010	792,000
	<u>2,492,000</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 19.

### Share Matching

Awards were made during the year in relation to a further 39,485 shares. Shares outstanding at the year end were:

Date of Grant	Number of shares
August 2005	5,000
August 2006	5,750
August 2008	46,888
August 2009	68,288
August 2010	39,485
	<u>165,411</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2008 to 2010 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 19. The awards for 2006 and prior are vested, but not yet exercised.

Awards under the above schemes will be generally made utilising shares owned by the Vp Employee Trust.

The market value of the ordinary shares at 31 March 2011 was 235 pence (2010: 182 pence), the highest market value in the year to 31 March 2011 was 248 pence and the lowest 150 pence. The average share price during the year was 189 pence.

The number and weighted average exercise price of share options is as follows:

	2011		2010	
	Weighted average exercise price	Number of options 000s	Weighted average exercise price	Number of options 000s
Outstanding at beginning of the year	140p	7,615	155p	5,787
Lapsed during the year	166p	(1,873)	247p	(495)
Exercised during the year	163p	(154)	0p	(1,171)
Granted during the year	102p	2,712	83p	3,494
Outstanding at the end of the year	<u>121p</u>	<u>8,300</u>	<u>140p</u>	<u>7,615</u>
Exercisable at the year end	<u>229p</u>	<u>1,257</u>	<u>224p</u>	<u>1,496</u>

The options outstanding at 31 March 2011 have an exercise price in the range of 0.0p to 293.5p and have a weighted average life of 2.0 years.



# Notes

## 21. SHARE OPTION SCHEMES (continued)

For options granted prior to November 2002 the options are valued at the intrinsic value at the date of the grant. For options granted after November 2002 the fair value of services received in return for share options granted are measured by reference to the fair value of those share options. The fair value for the approved, unapproved and SAYE options are measured using the Black-Scholes model and the LTIP and share matching schemes are valued using a discounted grant price method. Cash settled options are valued at their fair value at each period end. The assumptions used to value the models are in the following ranges:

Weighted average fair value per share	<b>2011</b> <b>74.1p</b>	2010 69.1p
Share price at date of grant	<b>163.5p to 173.5p</b>	150p to 162p
Exercise price (details provided above)	<b>0p to 165p</b>	0p to 154p
Expected volatility	<b>38.6% to 40.3%</b>	34.5% to 36.1%
Option life	<b>3 to 10 years</b>	3 to 10 years
Expected divided yield	<b>6.9% to 7.3%</b>	7.4% to 8.0%
Risk free rate	<b>0.50%</b>	0.50%

The expected volatility is based on historic volatility which is based on the latest three years' share price data.

The cost of share options charged to the Income Statement is shown in note 4.

The total carrying amount of cash settled transaction liabilities at the year end was £547,000 (2010: £79,000).

## 22. OPERATING LEASES

The total remaining cost of non-cancellable operating leases is payable as follows:

	2011		2010	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<b>GROUP</b>				
Operating leases which expire:				
Within one year	<b>693</b>	<b>866</b>	403	854
In the second to fifth years inclusive	<b>4,567</b>	<b>3,943</b>	4,411	2,886
Over five years	<b>5,869</b>	-	5,314	-
	<b><u>11,129</u></b>	<b><u>4,809</u></b>	<u>10,128</u>	<u>3,740</u>
<b>COMPANY</b>				
Operating leases which expire:				
Within one year	<b>196</b>	<b>544</b>	36	690
In the second to fifth years inclusive	<b>805</b>	<b>1,719</b>	1,030	1,552
Over five years	<b>1,279</b>	-	2,114	-
	<b><u>2,280</u></b>	<b><u>2,263</u></b>	<u>3,180</u>	<u>2,242</u>

## 23. CAPITAL COMMITMENTS

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

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Contracted	<b><u>1,197</u></b>	<u>916</u>	<b><u>803</u></b>	<u>875</u>

# Notes

## 24. PENSION SCHEME

### Defined benefit scheme

The details in this note relate solely to the defined benefit arrangement and exclude any allowance for contributions in respect of death in service insurance premiums and expenses which are also borne by the Company.

The scheme is operated in the United Kingdom and was closed to new entrants in 1997. As a consequence the current service cost calculated under the project unit method can be expected to increase over time as the average age of the membership increases. A full actuarial valuation was carried out at 1 April 2009 and the provisional results have been updated to 31 March 2011 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are set out below.

The Group made cash contributions during the financial year of £376,000. This is equivalent to approximately 24.7% of pensionable pay plus regular monthly contributions to reduce the deficit in the scheme totalling £363,000 for the year. Contributions are expected to continue at the rate of 24.7% of pensionable pay plus £375,000 per annum payable in monthly instalments. These contributions represent the cash cost to the business. The overall impact on the Income Statement and Statement of Comprehensive Income is considered in detail below.

It is the policy of the Company to recognise all actuarial gains and losses in the year in which they occur in the Statement of Comprehensive Income.

### Present value of net obligation

	Group and Company	
	2011	2010
	£000	£000
Present value of defined benefit obligation	<b>(8,017)</b>	(8,309)
Fair value of scheme assets	<b>7,839</b>	7,182
Present value of net obligations	<b><u>(178)</u></b>	<u>(1,127)</u>

### Liability for defined benefit obligations

Changes in the present value of the defined benefit obligation are as follows:

	Group and Company	
	2011	2010
	£000	£000
Opening defined benefit obligation	<b>8,309</b>	10,302
Service cost	<b>16</b>	20
Interest cost	<b>450</b>	530
Actuarial (gain)/loss	<b>(470)</b>	1,093
Benefits paid	<b>(291)</b>	(748)
Liabilities extinguished on settlement	-	(2,894)
Contributions by employees	<b>3</b>	6
Closing defined benefit obligation	<b><u>8,017</u></b>	<u>8,309</u>

# Notes

## 24. PENSION SCHEME (continued)

### Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	Group and Company	
	2011	2010
	£000	£000
Opening fair value of scheme assets	7,182	7,108
Expected return	513	377
Actuarial gains	56	1,819
Contributions by employer	376	2,370
Contributions by employees	3	6
Assets distributed on settlement	-	(3,750)
Benefits paid	(291)	(748)
Closing fair value of scheme assets	<u>7,839</u>	<u>7,182</u>

The gain on settlement in the prior year shown below is inclusive of previously provided amounts distributed to settle the long standing contractual entitlement of Jeremy Pilkington to retire at any time after the age of 50 without actuarial reduction of pension.

### Expense recognised in the Income Statement

	Group and Company	
	2011	2010
	£000	£000
Current service costs	16	20
Interest on obligation	450	530
Expected return on scheme assets	(513)	(377)
Gain on settlement	-	(17)
	<u>(47)</u>	<u>156</u>

### Scheme assets and returns

These expenses are recognised in the following line items in the Income Statement:

	Group and Company	
	2011	2010
	£000	£000
Cost of sales	16	20
Administrative expenses	(63)	136
	<u>(47)</u>	<u>156</u>

Cumulative actuarial net losses reported in the Statement of Comprehensive Income since 1 April 2004, the transition to adopted IFRSs, for the Group and Company are £1,717,000 (2010: £2,243,000).

The fair value of the scheme assets and the return on those assets were as follows:

	2011		2010	
	Long Term Rate of Return	£000	Long Term Rate of Return	£000
<b>Fair value of assets</b>				
Equities	7.50%	5,900	7.00%	5,744
Bonds and other	5.50%	1,939	5.00%	1,438
	7.10%	<u>7,839</u>	6.16%	<u>7,182</u>
<b>Returns</b>				
Actual return on scheme assets		<u>569</u>		<u>2,196</u>

None of the fair values of the assets shown above include any of the Company's own financial instruments or any property occupied by or other assets used by the Company.

The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities has been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

# Notes

## 24. PENSION SCHEME (continued)

### Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are:

	Group and Company	
	2011	2010
Inflation	3.5%	3.7%
Discount rate at 31 March	5.5%	5.5%
Expected future salary increases	3.5%	4.7%
Expected future pension increases	3.5%	3.7%
Revaluation of deferred pensions	2.8%	3.7%

Mortality rate assumptions adopted at 31 March 2011 imply the following life expectations on retirement at age 65 for:

	2011	2010
	Male currently aged 45	26 years
Female currently aged 45	29 years	29 years
Male currently aged 65	24 years	24 years
Female currently aged 65	26 years	26 years

### History of scheme

The history of the scheme for the current and prior years is as follows:

	Group and Company				
	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Present value of defined benefit obligation	(8,017)	(8,309)	(10,302)	(12,098)	(12,089)
Fair value of plan assets	7,839	7,182	7,108	10,665	10,041
Present value of net obligations	(178)	(1,127)	(3,194)	(1,433)	(2,048)

### Gains/(losses) recognised in Statement of Comprehensive Income

	Group and Company				
	2011	2010	2009	2008	2007
Difference between expected and actual return on scheme assets:					
Amount (£000)	56	1,819	(2,232)	(983)	114
Percentage of scheme assets	0.7%	25.3%	(31.4%)	(9.2%)	1.1%
Experience gains and losses arising on the scheme liabilities:					
Amount (£000)	-	542	57	30	79
Percentage of present value of scheme liabilities	0.0%	6.5%	0.6%	0.2%	0.7%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:					
Amount (£000)	470	(1,635)	293	534	218
Percentage of present value of scheme liabilities	5.9%	(19.7%)	2.8%	4.4%	1.8%
Total amount recognised in statement of comprehensive income:					
Amount (£000)	526	726	(1,882)	(419)	411
Percentage of present value of scheme liabilities	6.6%	8.8%	(18.3%)	(3.5%)	3.4%

The Group expects to contribute £388,000 to its defined benefit plan in 2011/12.

### Defined contribution plan

The Group also operates defined contribution schemes for other eligible employees. The assets of the schemes are held separately from those of the Group. The pension cost represents contributions payable by the Group and amounted to £486,000 (2010: £482,000) in the year.

# Notes

## 25. ACQUISITIONS

The Group acquired the following businesses from 1 April 2009 to 31 March 2011:

Name of acquisition	Date of acquisition	Type of acquisition	Acquired by
Harbray Plant Hire Limited	14 May 2010	Share purchase (100% equity)	Vp plc

Details of the acquisitions are provided below:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Property, plant and equipment	4	-	-	-
Current assets	83	-	-	-
Net debt	279	-	-	-
Tax, trade and other payables	(59)	-	-	-
Deferred tax	1	-	-	-
<b>Book value of assets acquired</b>	<b>308</b>	-	-	-
<b>Fair value adjustments</b>				
Intangibles on acquisition	264	-	-	-
Deferred tax on intangibles	(74)	-	-	-
<b>Fair value of assets acquired</b>	<b>498</b>	-	-	-
Goodwill on acquisition	471	(48)	-	-
<b>Cost of acquisitions</b>	<b>969</b>	<b>(48)</b>	-	-
<b>Satisfied by</b>				
Consideration	969	-	-	-
Deferred consideration	-	(48)	-	-
	<b>969</b>	<b>(48)</b>	-	-
<b>Analysis of cash flow for acquisitions</b>				
Consideration	969	-	-	-
Contingent consideration	-	22	-	-
Acquisition costs capitalised	-	-	-	-
Net cash included in acquisitions	(279)	-	-	-
Adjustment for accruals	-	(41)	-	-
	<b>690</b>	<b>(19)</b>	-	-

Intangibles were identified in the acquisition year ended 31 March 2011 where the acquired customer list/relationships provided access to new markets or territories or provided further leverage for the acquiring business or target. Customer related intangibles are being amortised over ten years, which is considered to be the period over which the majority of the benefits are expected to arise.

# Notes

## 25. ACQUISITIONS (continued)

Goodwill on acquisitions relates to the relationships, skills and inherent market knowledge of employees within the acquired businesses together with the synergistic benefits within the enlarged businesses post acquisition, principally through economies of scale and improved business processes and management. These are critical to the ongoing success of any specialised equipment rental business, together with the availability of the right equipment.

As the acquisition of Harbray was not material its trading performance has not been disclosed separately in the Income Statement. For the same reason disclosure of the revenue or profit for the combined entity, if the business combination had occurred on 1 April 2010, has not been provided.

## 26. RELATED PARTIES

Material transactions with key management (being the Directors of the Group) only constitute remuneration, details of which are included in the Remuneration Report on pages 18 to 21 and in note 5 and 24 to the Financial Statements.

### Trading transactions with subsidiaries – Group

Transactions between the Company and the Group's subsidiaries, which are related parties, have been eliminated on consolidation and are therefore not disclosed.

### Trading transactions with subsidiaries – Parent Company

The Company enters into transactions with its subsidiary undertakings in respect of the following:

- Internal funding loans
- Provision of Group services (including Senior Management, IT, Group Finance, Group HR and Group Properties)
- Rehire of equipment on commercial terms

Recharges are made for Group services based on the utilisation of those services, however the Group does not charge interest on internal funding. In addition to these services the Company acts as a buying agent for certain Group purchases such as insurance and IT services. These are recharged based on utilisation by the subsidiary undertaking.

The amount outstanding from subsidiary undertakings to the Company at 31 March 2011 totalled £36,324,000 (2010: £39,853,000). Amounts owed to subsidiary undertakings by the Company at 31 March 2011 totalled £19,973,000 (2010: £19,753,000).

The Company and certain subsidiary undertakings have entered into cross guarantees of bank loans and overdrafts to the Company. The total value of such borrowings at 31 March 2011 was £46.0m (2010: £49.5m).

## 27. CONTINGENT LIABILITIES

There are no contingent liabilities (2010: Nil) in respect of the Group or Company.

## 28. ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Ackers P Investment Company Limited which is the ultimate parent Company incorporated in Great Britain. Consolidated accounts are prepared for this Company.



# Five Year Summary

	2007 (Restated) £000	2008 £000	2009 (Restated) £000	2010 £000	2011 £000
Revenue	<u>121,607</u>	<u>149,269</u>	<u>157,470</u>	<u>134,163</u>	<b><u>140,959</u></b>
Operating profit before amortisation	<u>16,276</u>	<u>23,271</u>	<u>25,431</u>	<u>18,610</u>	<b><u>16,472</u></b>
Profit before amortisation and taxation	<u>14,504</u>	<u>20,152</u>	<u>21,744</u>	<u>16,005</u>	<b><u>13,785</u></b>
Profit before taxation	14,420	19,857	20,835	14,339	<b>12,234</b>
Taxation	(3,981)	(4,462)	(5,701)	(4,094)	<b>(2,451)</b>
Profit after taxation	<u>10,439</u>	<u>15,395</u>	<u>15,134</u>	<u>10,245</u>	<b><u>9,783</u></b>
Dividends*	<u>(2,932)</u>	<u>(3,761)</u>	<u>(4,505)</u>	<u>(4,510)</u>	<b><u>(4,509)</u></b>
Share capital	2,309	2,309	2,309	2,309	<b>2,309</b>
Reserves	63,214	71,458	74,843	81,851	<b>89,192</b>
Total equity before non-controlling interest	<u>65,523</u>	<u>73,767</u>	<u>77,152</u>	<u>84,160</u>	<b><u>91,501</u></b>
<b>Share Statistics</b>					
Asset value	<u>142p</u>	<u>160p</u>	<u>167p</u>	<u>182p</u>	<b><u>198p</u></b>
Earnings (pre amortisation)	<u>24.56p</u>	<u>36.64p</u>	<u>37.99p</u>	<u>27.57p</u>	<b><u>26.09p</u></b>
Dividend**	<u>8.25p</u>	<u>10.50p</u>	<u>10.80p</u>	<u>10.80p</u>	<b><u>10.80p</u></b>
Times covered (pre amortisation)	<u>2.98</u>	<u>3.49</u>	<u>3.52</u>	<u>2.55</u>	<b><u>2.42</u></b>

\* Dividends under IFRS relate only to dividends declared in that year.

\*\* Dividends per share statistics are the dividends related to that year whether paid or proposed.



# Notice of Meeting

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in Vp plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice is hereby given that the thirty ninth Annual General Meeting of the Company will be held at Ridding House, Ridding Park, Follifoot, Harrogate on 1 September 2011 at 10am for the following purposes:

### As ordinary business

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 March 2011, and the Auditors' Report contained therein.
2. To declare a final dividend of 7.7 pence per ordinary share.
3. To re-appoint J F G Pilkington as a Director.
4. To re-appoint S Rogers as a Director.
5. To re-appoint A M Bainbridge as a Director.
6. To re-appoint P W Parkin as a Director.
7. 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.
8. To authorise the Directors to agree the remuneration of the auditors.
9. To approve the Remuneration Report for the year ended 31 March 2011.

### As special business

To consider and, if thought fit, pass the following resolutions of which Resolution 10 will be proposed as an Ordinary Resolution and Resolutions 11 and 12 will be proposed as Special Resolutions:

10. That for the purposes of Section 551 of the Companies Act 2006 (the "Act") the Directors be, and they are, generally authorised to allot equity securities (as defined in Section 560 of the Act) 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 equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
11. 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 560 of the Act) of the Company pursuant to the authority conferred by Resolution 10 above as if sub-section (1) of Section 561 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 £112,000, 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.

12. 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 may be paid for Ordinary Shares is 5 pence per Ordinary Share exclusive of expenses;

- c) the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of:

- (i) 105 per cent of the average market value of an Ordinary Share for the five business days prior to the day the purchase is made; and

- (ii) the value of an Ordinary Share calculated on the basis of the higher of the price quoted for:

- a. the last independent trade of; and

- b. the highest current independent bid for;

any number of the Company's Ordinary Shares on the trading venue where the purchase is carried out;

- 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.

**A M Bainbridge**

Company Secretary

6 July 2011

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

# Notice of Meeting

## Notes

1. Only those members entered on the register of members of the Company as at 6.00pm on 30 August 2011 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 6.00pm on 30 August 2011 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. Information regarding the Meeting, including information required by Section 311A of the Act is available from [www.vpplc.com](http://www.vpplc.com)

## Appointment of proxies

3. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy or proxies using the procedure set out in these notes and the notes to the proxy form.
4. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" on page 66.
5. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by you on the record date will result in the proxy appointment being invalid. To appoint more than one proxy, you may photocopy the Form of Proxy. Please indicate in the box next to the proxy holder's name the number of shares in relation to which you authorise them to act as your proxy and complete any voting instructions. Please also indicate by ticking the box provided on the Form of Proxy if the proxy instruction is one of multiple instructions being given. All such Forms of Proxy should be returned in one envelope.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

## Appointment of proxy using hard copy proxy form

8. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote.  
To appoint a proxy using the proxy form, the form must be:
  - complete and signed;
  - sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
  - received by Capita Registrars no later than 48 hours before the time appointed for holding the Meeting.In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or duly certified copy of such power or authority) must be included with the proxy form.

## Appointment of proxies through CREST

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (whose CREST ID is RA10) no later than 48 hours before the time appointed for holding the Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note the EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## Appointment of a proxy by joint members

10. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

## Changing proxy instructions

11. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

## Termination of proxy appointments

12. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an

# Notice of Meeting

officer of the company or any attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such a power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Registrars no later than 48 hours before the time appointed for the holding of the Meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment(s) will automatically be terminated.

## Corporate representatives

13. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

## Issued shares and total voting rights

14. As at 6 July 2011, the Company's issued share capital comprised 46,185,000 ordinary shares of 5 pence each of which 1,215,000 shares were held in treasury. Each ordinary share not held in treasury carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6 July 2011 is 44,970,000. The website referred to in note 2 will include information on the number of shares and voting rights.

## Questions at the Meeting

15. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:
- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

## Website publication of audit concerns

16. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by a member or members meeting the qualification criteria set out at note 17 (Members' qualification criteria) below, the Company must publish on its website, a statement setting out any matter that such members propose to raise at the Meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting.

Where the Company is required to publish such a statement on its website:

- it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;
- it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and
- the statement may be dealt with as part of the business of the Meeting.

The request:

- may be in hard copy form or in electronic form (see note 18 below (Submission of hard copy and electronic requests and authentication requirements));
- either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported;

- must be authenticated by the person or persons making it (see note 18 below (Submission of hard copy and electronic requests and authentication requirements)); and
- be received by the Company at least one week before the Meeting.

## Members' qualification criteria

17. In order to be able to exercise the members' right to require the Company to publish audit concerns the relevant request must be made by:
- a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company; or
  - at least 100 members who have a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital.

For information on voting rights, including the total number of voting rights, see note 14 (Issued shares and total voting rights) above and the website referred to in note 2.

## Submission of hard copy and electronic requests and authentication requirements

18. Where a member or members wishes to request the Company to publish audit concerns such request must be made in accordance with one of the following ways:
- a hard copy request which is signed by you, states your full name and address and is sent to the Company Secretary, Vp plc, Central House, Beckwith Knowle, Otley Road, Harrogate HG3 1UD;
  - a request which is signed by you, states your full name and address and is faxed to **01423 524683** marked for the attention of the Company Secretary;
  - a request which states your full name and address and is sent to **enquiries@vpplc.com** Please state AGM in the subject line of the e-mail.

## Nominated persons

19. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Meeting.
  - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
  - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

## Documents on display

20. The following documents will be available for inspection at Central House, Beckwith Knowle, Otley Road, Harrogate HG3 1UD from the date of sending the circular until the time of the Meeting and at the Meeting venue itself for at least 15 minutes prior to the Meeting until the end of the Meeting:
- copies of the service contracts of executive directors of the Company.
  - copies of the letters of appointment of the non-executive directors of the Company.

## Communication

21. You may not use any electronic address provided either;
- in this notice of annual general meeting; or
  - any related documents (including the chairman's letter and proxy form),
- to communicate with the Company for any purposes other than those expressly stated.

# Annual General Meeting - Vp plc Form of Proxy

I/We \_\_\_\_\_  
(BLOCK LETTERS)

of \_\_\_\_\_

hereby appoint the Chairman of the Meeting, or (note 6) \_\_\_\_\_ in relation to \_\_\_\_\_ Ordinary Shares as my/our Proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 1 September 2011 and at any adjournment thereof. I/We request the Proxy to vote on the following resolutions as indicated.

Please tick here if the proxy appointment is one of multiple appointments being made (please see note 3)

Resolution	For	Against	Vote Withheld
1. To receive the Directors' Report and Financial Statements for the year ended 31 March 2011 and the Auditors' Report contained therein	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend of 7.7 pence per ordinary share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint J F G Pilkington as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint S Rogers as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint A M Bainbridge as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint P W Parkin as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint KPMG Audit Plc as Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the Directors to agree the Auditors remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To approve the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To approve the authority to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. To approve the disapplication of pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. To approve the authority for the purchase of own shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

## Notes:

- As a member of the Company you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy or proxies using the procedures set out in these notes.
- Submission of a proxy form does not preclude you from attending the meeting and voting in person. If you have appointed a proxy or proxies and attend the meeting in person, your proxy appointment(s) will automatically be terminated.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by you on the record date will result in the proxy appointment being invalid. To appoint more than one proxy, you may photocopy this Form of Proxy. Please indicate in the box next to the proxy holder's name the number of shares in relation to which you authorise them to act as your proxy and complete any voting instructions. Please also indicate by ticking the box provided on the Form of Proxy if the proxy instruction is one of multiple instructions being given. All such Forms of Proxy should be returned in one envelope.
- 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.
- A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for or against a resolution.
- 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. If you wish your proxy to make comments on your behalf, you will need to appoint someone other than the Chairman of the Meeting and give them relevant instructions directly. 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 Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours (excluding weekends and bank holidays) before the time appointed for the meeting.
- CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by following the procedures described in the CREST manual. CREST Personal Members or other CREST sponsored members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's registrar, Capita Registrars (whose CREST ID is RA10) not later than 48 hours (excluding weekends and bank holidays) before the time fixed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of the proxies will take precedence.
- For details of how to change your proxy instructions or revoke your proxy appointment see the notes to the notice of the meeting.
- If you prefer, you may return the proxy form to the registrar in an envelope addressed to FREEPOST RSBH - UXKS - LRBC, PXS, 34 Beckenham Road, Beckenham BR3 4TU.

THIRD FOLD AND TUCK IN

BUSINESS REPLY  
Licence No. RSBH - UXKS - LRBC

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FIRST FOLD

**Capita Registrars**  
**PXS**  
**34 Beckenham Road**  
**Beckenham**  
**BR3 4TU**

SECOND FOLD