

THE EQUIPMENT RENTAL SPECIALISTS



ANNUAL REPORT AND ACCOUNTS 2013

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## 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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# 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., F.C.A.

## Non-Executive Directors

Peter W Parkin

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

Philip M White B.Com, F.C.A., CBE

## Secretary

Allison M Bainbridge

## Registered Office

Central House, Beckwith Knowle,

Otley Road, Harrogate, North Yorkshire, HG3 1UD

Registered in England and Wales: No 481833

Telephone: 01423 533400

## Auditor

KPMG Audit Plc, 1 The Embankment,

Neville Street, Leeds, West Yorkshire, LS1 4DW

## Solicitors

Squire Sanders (UK) LLP,

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

## Registrars and Transfer Office

Capita Registrars, The Registry, 34 Beckenham Road,

Beckenham, Kent, BR3 4TU

## Bankers

HSBC Bank plc

Lloyds Bank plc

## Merchant Bankers

N M Rothschild & Sons Limited

## Stockbrokers

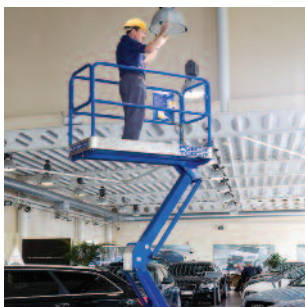
N+1 Singer

## Public Relations

Abchurch Communications

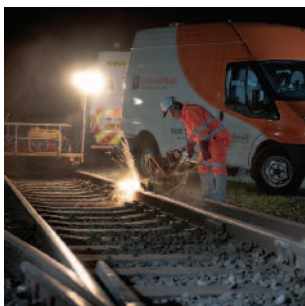
# Group Businesses

The Group is comprised of the following divisions:



## **Hire Station** Tools for Industry, Construction & DIY

Hire Station is a major national provider of small tools, climate, lifting, safety, survey and pressfitting equipment to industry, construction and homeowners throughout the UK.



## **Torrent Trackside** Railway Plant. Railway People.

Specialist suppliers of rail infrastructure portable plant and related trackside services to Network Rail, London Underground and their appointed track renewal and project contractors.



## **Groundforce** Specialist Construction Solutions

Groundforce is the market leading rental provider of excavation support, piling, pipe stoppers, air pressure testing, pumps, trenchless technology, and temporary bridges. The division operates throughout the UK and Ireland and also in mainland Europe, out of its operational hubs in Germany.

# Group Businesses



## UK Forks

Materials Handling Specialists

UK Forks has established itself as the UK's leading specialist hirer of telescopic handlers and associated equipment. Working closely with our wide range of customers we consistently identify opportunities to improve safety and productivity on building sites. We have a fleet of over a thousand machines, controlled by a centralised hire desk, promoting efficient fleet management and supporting a range of targeted market sectors.



## Airpac Bukom

Oilfield Services

Airpac Bukom Oilfield Services holds a market leading position in the provision of specialist compressed air and steam generation services. The business supports industry segments as diverse as well testing, offshore fabric maintenance, pipeline dewatering, product transfer, underbalanced drilling, cuttings transportation and geothermal energy in most oil provinces across the globe. Our equipment spreads are mobilised from an unrivalled network of service facilities located in the UK, Singapore, Australia, U.A.E. and Latin America.



## TPA

Portable Roadways

TPA Portable Roadways has experienced significant growth in recent years to become Europe's largest supplier of temporary access solutions. Operating from bases in the UK and Germany, TPA provides unrivalled equipment rental and first class installation of portable roadways, walkways and stairways, to customers in the outdoor events, transmission, construction and utilities markets.

# Financial Highlights

	2013	2012
Revenue (prior year restated) <sup>(1)</sup>	<b>£167.0m</b>	£161.5m
Operating profit before amortisation	<b>£19.8m</b>	£18.5m
Operating profit	<b>£18.9m</b>	£17.9m
Profit before amortisation and taxation	<b>£17.4m</b>	£16.0m
Profit before taxation	<b>£16.4m</b>	£15.3m
Basic earnings per share before amortisation	<b>35.47p</b>	30.76p
Dividend per share <sup>(2)</sup>	<b>12.25p</b>	11.35p
Return on average capital employed	<b>13.3%</b>	13.0%
Net assets per share	<b>251p</b>	197p
Net debt	<b>£45.3m</b>	£40.4m
Gearing	<b>45%</b>	44%
Interest cover before amortisation	<b>8.0x</b>	7.3x
Expenditure on rental equipment	<b>£22.5m</b>	£32.1m

<sup>(1)</sup> The prior year restatement of revenue does not affect reported profit, only revenue and cost of sales, and is explained in note 1.

<sup>(2)</sup> Dividends quoted are paid and proposed for each year

# Chairman's Statement

## **I am pleased to report a further year of very satisfactory performance for the Group.**

Profits before tax and amortisation improved 9% to £17.4 million (2012: £16.0 million) on revenues up 3% at £167.0 million (2012: £161.5 million) reflecting the progress on margin improvement that we have made in the period. Basic earnings per share pre-amortisation increased by 15.3% and return on average capital employed also moved positively to 13.3%.

Borrowings rose £4.9 million to £45.3 million after investing £22.5 million in the rental fleet, funding the £7.8 million share buyback and spending £4.1 million on acquisitions, again demonstrating the strength of our cash flow and excellent working capital management. Gearing remained broadly unchanged at 45%. Post the year end, we renewed our bank facilities on improved terms and with longer maturities.

In recognition of the progress the Group has made this year, the board is recommending a final dividend of 9.0 pence per share (2012: 8.25 pence) making a total for the year of 12.25 pence per share, an uplift of 8% and in line with underlying pre-tax earnings growth. Subject to shareholders' approval at the Annual General Meeting on 23 July 2013, it is proposed to pay the final dividend on 9 August 2013, to members registered as of 12 July 2013.

The activities acquired from Balfour Beatty Group Limited for £4.1 million in July 2012 have been successfully integrated into our ESS Safeforce and UK Forks businesses and are performing in line with our expectations at the time of the acquisition.

Whilst the economic background still contains significant uncertainties and challenges, we feel this set of results again demonstrates the Group's ability to continue to deliver value for shareholders even within a relatively unsupportive trading environment. Each of our businesses continues to work hard to uncover opportunities for investment and growth and we believe that we have positive momentum moving into the new financial year.

On behalf of the shareholders and the Board, it is my always pleasurable duty to recognise the contribution of employees throughout the Group towards the achievement of these fine results.

**Jeremy Pilkington**  
**Chairman**  
**4 June 2013**



# Business Review

## OVERVIEW

*Vp plc is a specialist rental business. Our objective is to deliver sustainable, quality returns on behalf of our shareholders by providing products and services to a diverse range of end markets including construction, civil engineering, rail, water, oil and gas, outdoor events and housebuilding. Our strategy is delivered through our expertise in asset management, exceeding customer expectations, maintaining and utilising our financial strength and retaining and attracting the best people. The Group comprises six specialist, diverse and market leading operating divisions.*

The Group has delivered another strong performance with increased profits, margins and return on average capital employed (ROACE) despite the on-going challenges of a low growth market background.

	Year ended 31 March 2013	Year ended 31 March 2012
Revenue	<b>£167.0 million</b>	£161.5 million
Operating profit before amortisation	<b>£19.8 million</b>	£18.5 million
Operating margin	<b>11.9%</b>	11.5%
ROACE	<b>13.3%</b>	13.0%
Investment in rental fleet	<b>£22.5 million</b>	£32.1 million

Revenues grew by 3% to £167.0 million, a new record level for the Group. This relatively modest growth demonstrates a focus on revenue quality, rather than quantity. Operating profits before amortisation were £19.8 million, 7% ahead of prior year. Operating margins increased to 11.9% (2012: 11.5%) and return on average capital employed (ROACE) also increased, to 13.3% (2012: 13.0%), demonstrating the success of our focus on quality of returns.

Most markets within which the Group operates delivered growth, in particular infrastructure, housebuild, transmission and water. The one market negative was a subdued performance in oil and gas where the previously highlighted gap in liquefied natural gas (LNG) related activity, after two strong prior years, saw revenues and profits decline.

Capital expenditure on rental fleet was £22.5 million (2012: £32.1 million) as we continued to invest only where the opportunity justified it. In parallel with new investment, the policy of withdrawing from low margin asset types has continued, further contributing to the enhancement of earnings quality. In addition we invested £4.1 million in acquisitions during the year which have integrated well into the business.

Disposal of hire fleet is an important dynamic of the business and generated fleet sale proceeds of £9.6 million (2012: £7.4 million) and profits on disposal of £2.6 million (2012: £2.2 million).

The Group is structured around its diversity and breadth of market exposure and we have, yet again, demonstrated the strength of this position as the net result for shareholders is one of further significant earnings growth.

## UK FORKS

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

	Year ended 31 March 2013	Year ended 31 March 2012
Revenue	<b>£14.1 million</b>	£12.6 million
Operating profit before amortisation	<b>£2.1 million</b>	£1.5 million
Investment in rental fleet	<b>£0.4 million</b>	£8.6 million

The UK Forks business delivered a strong year on year performance in challenging conditions, reporting profits up 40% at £2.1 million (2012: £1.5 million). We have maintained our construction customer base and have benefited from growth within the national and regional house builders. Further progress has also been made in other market sectors, such as infrastructure.

Hire revenue growth of 12% on the previous year is at the core of the strong divisional performance. Hire rates remain competitive, but despite this we have secured improvements from our long standing customer base, who continue to value our commitment to excellent customer service, high quality equipment and outstanding backup.

# Business Review

Our hire fleet has been developed to enable us to continue to meet customer demands and further enhance the quality of our offering which we believe sets us apart in the market sectors we operate. Capital investment in fleet reduced to £0.4 million (2012: £8.6 million) as the fleet numbers reached a level sufficient to meet current demand.

We have mitigated the impact of supply chain inflation through a combination of effective management of our cost base, as well as achieving increased hire rates and incremental new business during the year.

Looking towards the new financial year we expect little change in market conditions, but we are confident that the business is well placed to build further on the back of new opportunities.

## GROUNDFORCE

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

	Year ended 31 March 2013	Year ended 31 March 2012
Revenue	<b>£37.2 million</b>	£32.7 million
Operating profit before amortisation	<b>£7.8 million</b>	£6.7 million
Investment in rental fleet	<b>£7.3 million</b>	£5.6 million

Groundforce had an excellent year increasing profits by 16% to £7.8 million from revenues up 14% at £37.2 million.

In the UK, bespoke-designed excavation support opportunities remained robust, as did demand from the infrastructure sector and AMP5. Activity in London was strong and included a portal for Cross Rail at Plumstead and legacy work, post the 2012 Olympics. Outside of the capital, the division was busy in the transmission sector and secured a number of framework agreements in support of the water companies' AMP5 activity.

The business gained full accreditation of ISO18001 and recently gained recognition for innovation and health and safety through a number of construction and civil engineering industry awards.

Piletec continued to perform well despite more national piling contractors closing their doors. A lean structure has enabled the business to respond nimbly to the changes in market demand, whilst capitalising on customer driven opportunities.

In Ireland, where trading conditions remain very tough, market share retention and the introduction of complementary products from within the Group enabled the region to increase its revenue and profits.

The investment in growing the Groundforce business across mainland Europe continued in line with plans. The management team is now in place and a single administration centre in Frankfurt has been established. A measured approach has allowed the business to test customer acceptance of the UK product portfolio and adjust accordingly. Whilst the business inevitably incurred small start up losses, growth came through in the second half and we anticipate moving towards break even during the new financial year.

Capital expenditure on the rental fleet was increased to £7.3 million (2012: £5.6 million) in support of secured new business.

The new financial year holds further good prospects for the division with AMP5 activity expected to peak and the European business building further momentum.

# Business Review

## AIRPAC BUKOM OILFIELD SERVICES

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

	Year ended 31 March 2013	Year ended 31 March 2012
Revenue	<b>£17.4 million</b>	£19.4 million
Operating profit before amortisation	<b>£2.0 million</b>	£3.6 million
Investment in rental fleet	<b>£2.1 million</b>	£2.0 million

As expected, Airpac Bukom had a much quieter year with revenues and profitability impacted by a £3.4 million fall in LNG related activity, albeit some of this revenue shortfall was compensated for by improved demand for well testing services. Revenues reduced by 10% to £17.4 million leading to reduced profits of £2.0 million.

In Australia, the completion of the Pluto LNG infrastructure project at Karratha at the beginning of the year meant that revenues fell short of the previous period. However, LNG remains a key opportunity for the business with negotiations underway on a number of projects that we expect to materialise in the new financial year. One such opportunity involves the Queensland Curtis LNG ("QCLNG") project in Queensland where success has recently been achieved for the first phase of testing on Curtis Island. Outside of LNG, activity in Australia increased, with specialist projects and well testing being the main drivers.

Our South East Asia region performed strongly. A range of products was supplied on the Singapore LNG ("SLNG") project on Jurong Island, Singapore, and in December 2012 a contract for the testing of modules being built in Indonesia for the Australia Pacific LNG ("APLNG") project in Australia was undertaken. These modules are destined for delivery to Australia in 2013/14 where further involvement in the project is anticipated. Well test activity increased throughout South East Asia with contracts supplied in Indonesia, Malaysia, Thailand and Myanmar. We have a long established operational presence in Singapore and, coupled with investment in local management, the outlook remains healthy in this region.

In the North Sea, well test activity remained weak. In addition, opportunities in the rig maintenance sector were not as strong as anticipated with a regional shortage of supply helicopters impacting both rig maintenance and well testing activities.

Significant progress was made in certain areas of the Middle East including Kurdistan, where a number of high value rentals were obtained for well test projects. The outlook remains bright in this region.

The African region traded well with good demand, particularly for West Africa and Mozambique. The Americas were quiet, but opportunities going forward are much improved.

Investment in the fleet centred mainly around the refurbishment of core products. Capital expenditure was £2.1 million (2012: £2.0 million).

Whilst Airpac Bukom experienced a quieter trading year, future prospects for the business remain very positive in the LNG, well test and rig maintenance sectors. Our unique global hub network is well developed and as we strengthen regional management, and invest in new products, the business is increasingly positioned to deliver growth.

## HIRE STATION

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

	Year ended 31 March 2013	Year ended 31 March 2012
Revenue	<b>£62.0 million</b>	£60.1 million
Operating profit before amortisation	<b>£4.3 million</b>	£3.3 million
Investment in rental fleet	<b>£9.4 million</b>	£8.1 million

Hire Station made further good progress in testing market conditions. Profits increased by 30% to £4.3 million supported by record revenues of £62.0 million.

The division moved its ROACE to in excess of 10% during the year, an important milestone for this business. Intense scrutiny of our asset base during the last couple of years has prompted various divestment decisions where utilisation and returns were poor. Similarly, and more importantly, the review has enabled us to accelerate our investment into new products with better returns and this has played a key part in improving availability, driving revenue and delivering the enhanced returns reported in this statement. Capital expenditure of £9.4 million was up 16% compared to the previous year.

# Business Review

The tool hire division is the largest revenue contributor to Hire Station and operates a national network of branches whose regional day to day activity is supplemented by business generated through our market leading national call centre in Manchester. The call centre processes almost 60% of the revenue generated in tool hire and for the majority of our larger accounts is the preferred method of transacting with our business.

Our relationship with Network Rail continues to go from strength to strength and we experienced a 14% increase in activity from this, our largest account, over the year. Recent announcements from Network Rail regarding their expenditure plans through CP5 give us optimism that activity at current levels can be sustained. Our Virtual Hire business welcomed more partners during the year and we now have over 50 customers using this service.

Two of the key areas of focus within the business are product availability and reliability. We have spent the last 18 months, through our "Project Transform" programme, standardising and improving the way we maintain and service our highly utilised items and this has increased reliability, reduced breakdowns on site and improved the customer experience. At the same time, we have shifted the resource within the branches more towards equipment testing and servicing and this has improved equipment availability, delivering the appropriate revenue benefits whilst allowing us to manage our capital expenditure more wisely.

We have also strengthened the management structure for the coming year with the appointment of a Managing Director for the tool hire business. This is a new role and an important step change in delivering the growth planned for the coming years.

ESS SafeForce, the division's specialist safety rental business, had another excellent year with growth in all of its key revenue streams. We opened a new location in Heathrow with its own confined space training centre, as well as a new branch in Aylesford.

A key development during the year was the successful acquisition of Balfour Beatty's in house safety, survey and communications assets underpinned by a three year exclusive trading agreement. Revenues since the acquisition in July 2012 have been in line with those anticipated.

In October 2012, we carried out a 56 day shutdown at the Milford Haven Oil Refinery utilising our shutdown monitoring system. This was their largest shutdown for many years and our involvement helped deliver an excellent end result. This experience and endorsement will prove extremely beneficial as we promote the service to other refineries around the UK and mainland Europe.

The MEP Hire business, which supplies specialist press fitting and electro fusion equipment delivered further revenue growth to a mechanical and electrical market place that remains challenging. New locations were opened in Bristol, Heathrow, Durham and Burton upon Trent. Hire Station has one of the largest fleets of low level access machines within the market and many MEP customers utilise these products and in the future we intend to further develop this product range within the MEP business.

Hire Station has made satisfactory progress over the past year. We are always working to improve and are not afraid to challenge the existing business models that we operate. Our objective remains to grow revenue, margins and returns and we look forward to another year of progress.

## TPA

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

	Year ended 31 March 2013	Year ended 31 March 2012
Revenue	<b>£14.9 million</b>	£14.6 million
Operating profit before amortisation	<b>£1.3 million</b>	£1.2 million
Investment in rental fleet	<b>£2.4 million</b>	£5.1 million

Whilst TPA's revenues were broadly level with prior year at £14.9 million, operating profits were ahead by 9% at £1.3 million. This was primarily driven by the UK, where a significant shift in business mix aided operational efficiency during the summer and delivered an improved quality of earnings.

As a direct consequence of this approach, the UK business reduced its exposure to summer events, with a corresponding uptake from all other sectors. Notably, transmission demand increased throughout the year, with TPA operating as a key framework supplier whilst rail and construction offered consistent opportunities. A more planned approach to sector mix enabled the division to optimise resources and gain the operational efficiencies which delivered the improved results.

The plastic pitch covers, bought at the end of the prior year, were well utilised, supporting concert tours for a number of headline acts. We expect this trend to continue into the new financial year.

# Business Review

In Germany, a more developed operating structure allowed the business to widen its customer base. However, certain large contracts being undertaken by transmission customers were delayed and the combined benefit did not flow through in the fiscal year, leading to quieter trading in the region. We anticipate a reversal of this trend in the new financial year.

In both the UK and Germany, generation of profitable revenue throughout the winter remains a key task and pleasingly, improvement was experienced in the second half where a steady growth in the order book was evident.

Capital investment of £2.4 million in fleet was significantly below prior year, as the business concentrated on optimising returns from the existing fleet.

Prospects for TPA both in the UK and in Germany, remain positive for the new financial year.

## TORRENT TRACKSIDE

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

	Year ended 31 March 2013	Year ended 31 March 2012
Revenue	<b>£21.4 million</b>	£22.1 million
Operating profit before amortisation	<b>£2.2 million</b>	£2.2 million
Investment in rental fleet	<b>£0.9 million</b>	£2.9 million

Torrent have again produced an excellent result in markets that continue to receive significant investment but face year on year challenges to deliver increased productivity, efficiency gains and unit price reduction. Revenues marginally reduced at £21.4 million, delivered operating profits in line with prior year at £2.2 million. Post the rapid expansion in 2012, this year has been one of consolidation for Torrent, improving relationships and contract performance measurements with the key customers of the business.

We continue to experience high demand for our products and services across the UK rail network and from London Underground and other light rail and tram systems.

2014 is the final year of Network Rail Control Spend Period 4 (CP4) and it is forecast that the market will remain in good health for the coming year. Control Spend Period 5 (CP5) is likely to produce a change in the contractor landscape on rail infrastructure projects and Torrent is in an excellent position to benefit. We have also identified new and complementary areas of plant hire and service provision within the rail market that will further strengthen our market position and enhance our reputation as the only rail specific portable plant hire company in the market.

The rail market remains both buoyant and challenging, but our market leadership positions us well to secure new opportunities and to continue to deliver excellence to our customers.

## PROSPECTS

We remain positive in our expectations for the new financial year. We anticipate that our UK activities will, again, receive little help from market growth, and business will continue to be secured by being innovative, maintaining high quality equipment and services, and treating health and safety as a priority. We have growth initiatives across all of our divisions and we will utilise the financial strength of the Group to invest in opportunities as they arise.

We remain ambitious to further develop our overseas businesses, in mainland Europe with TPA and Groundforce, and internationally with Airpac Bukom.

We look forward to another year of progression for the Group as we maintain our focus on delivering consistent quality and sustainable returns for shareholders over the long term.

**Neil Stothard**  
**Group Managing Director**  
**4 June 2013**

# Financial Review

## GROUP FINANCIAL PERFORMANCE

Group revenues increased by 3% to £167.0 million (2012: £161.5 million). Profit before tax and amortisation rose by 9% to £17.4 million (2012: £16.0 million) with PBT margins increasing to 10.4% (2012: 9.9%).

The return on average capital employed (being EBITA/average capital employed) improved on prior year at 13.3% (2012: 13.0%) based on average capital employed of £148.5 million (2012: £142.6 million) calculated on a 12 month rolling average of total net assets and net debt.

## EARNINGS PER SHARE, DIVIDEND AND SHARES

Basic earnings per share before the amortisation of intangibles increased from 30.76 pence to 35.47 pence, an increase of 15%. Basic earnings per share after the amortisation of intangibles was 33.62 pence (2012: 29.63 pence).

It is proposed to increase the final dividend to 9.0 pence per share. If approved, the full year dividend would be increased by 0.9 pence (8%) to 12.25 pence with a dividend cover of 2.9 times (2012: 2.7 times) based on earnings per share before amortisation. The final dividend will be paid on 9 August 2013 to all shareholders on the register on 12 July 2013.

On 26 March 2012 the Company announced that, following a tender offer share buyback, £7.8 million would be returned to shareholders via the purchase of 3.1 million shares at 254 pence per share. Payment for these shares was made on 4 April 2012 with the corresponding liability shown in the balance sheet at 31 March 2012. The transaction was, as envisaged, earnings per share enhancing.

At 31 March 2013, 40.2 million shares were in issue. No shares were held in treasury following the cancellation on 28 March 2013 of the 6.0 million shares purchased into treasury. In addition 1.6 million shares were held by the Employee Trust.

The average number of shares in issue during the year was 38.8 million (2012: 41.3 million) after adjusting for shares held by the Employee Trust and treasury shares.

## CAPITAL EXPENDITURE, DISPOSAL AND DEPRECIATION

Total capital expenditure was £25.3 million (2012: £34.8 million) of which £22.5 million (2012: £32.1 million) related to equipment for hire. The decreased expenditure on rental fleet reflects the Group's ability to flex fleet investment to reflect customer demand while maintaining a young, high quality fleet. Proceeds from disposals of assets amounted to £9.6 million (2012: £7.4 million) resulting in total net capital expenditure of £15.7 million (2012: £27.4 million). The disposal of hire fleet during the year produced profit of £2.6 million (2012: £2.2 million) reflecting prudent depreciation policies and good asset management. The depreciation charge for the year was £21.2 million (2012: £20.2 million).

## ACQUISITION

On 11 July 2012 the Group announced the acquisition of the business and assets of two equipment rental activities from Balfour Beatty Group for a cash consideration of £4.1 million. Hire Station acquired the safety and communication equipment rental business activity. This acquisition included a minimum three year framework agreement for the supply of these services to Balfour Beatty in the UK. In addition UK Forks acquired a plant and rental business activity from Balfour Beatty.

## CASH FLOWS AND NET DEBT

The Group continues to generate strong cash flows. Cash generated from operations totalled £39.8 million (2012: £39.4 million). Accordingly, despite significant capital expenditure, the tender offer and the business and assets acquisitions from Balfour Beatty, net debt only increased from £40.4 million at 31 March 2012 to £45.3 million at 31 March 2013.

After adjusting for movements in capital creditors, cashflows in respect of capital expenditure were £29.6 million (2012: £34.6 million). The cost of acquisitions in the year was £4.1 million (2012: nil), dividend payments to shareholders totalled £4.4 million (2012: £4.5 million), and cash investment in own shares during the year was £9.8 million, which included the tender offer share buy back (2012: £1.4 million).

Net interest expense for the year totalled £2.5 million (2012: £2.5 million). Interest cover before amortisation was 8.0 times (2012: 7.3 times) and Net Debt/EBITDA was 1.10 times (2012: 1.05 times), both comfortably within our banking covenants of greater than 3 times and lower than 2.5 times respectively.

Gearing calculated as net debt divided by total equity was 45% (2012: 44%).

# Financial Review

## BALANCE SHEET

Total net assets were £100.9 million (2012: £91.1 million), representing net assets per share of 251 pence (2012: 197 pence, 227p excluding treasury shares). The net book value of property, plant and equipment was £110.6 million, (2012: £110.7 million) of which rental equipment represents 90% (2012: 90%).

Gross trade debtors were £32.8 million at 31 March 2013 (2012: £33.6 million). Bad debt and credit note provisions totalled £3.7 million (2012: £3.6 million) equivalent to 11.2% (2012: 10.6%) of gross debtors. Debtor days improved to 57 days (2012: 63 days).

With no impairments, the Group carried forward £5.3 million (2012: £5.0 million) of intangible assets and £34.0 million (2012: £34.0 million) goodwill at year end. The movement in the year reflects additions of £1.2 million less amortisation of intangibles of £0.9 million. 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.

## CAPITAL STRUCTURE AND TREASURY

The Group finances its operations through a combination of shareholders' funds, bank borrowings and operating leases. The Group funding requirements are largely driven by capital expenditure and acquisition activity. As at 31 March 2013 the Group had £65 million (2012: £65 million) of committed facilities and overdraft facilities of £5 million (2012: £5 million). As at 31 March 2013 the Group's bank facilities comprised of a £35 million committed three year revolving credit facility expiring 31 May 2013, a £30 million committed four year revolving credit facility expiring in August 2015 and overdraft facilities totalling £5 million. On 15 May 2013 these facilities were replaced by a £35 million revolving credit facility which expires in May 2016, a £30 million four and a half year revolving credit facility which expires in October 2017 and a £5 million overdraft facility. These facilities are with Lloyds Bank plc and HSBC Bank plc.

Borrowings under the Group's bank facility are priced on the basis of LIBOR plus a margin. The Group has four interest rate swaps which are held to hedge the risk of exposure to changes in LIBOR interest rates on the Group's secured bank loans. These swaps, all of which are for £7.5 million of debt, were taken out in two tranches. The remaining swap from the first tranche expires in August 2013; it was for a period of 5 years, with a bank only call option after 3 years. It fixes interest rates net of bank margin at 5.595%. The second tranche of swaps was taken out in August, October and December 2011. One of these swaps is future dated to start when the last swap from the first tranche expires. They fix interest rates net of bank margin at between 1.255% and 1.323%, and each has a life of three years.

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. During the year the Group had seven foreign exchange hedges to reduce the risk of rate fluctuations between US dollars and Sterling in the year ended 31 March 2013. It also has a further nine foreign exchange hedges between US dollars and Sterling covering the period from 1 April 2013 to 30 June 2014. In addition to the US dollar hedges the Group also had Australian dollar and Singapore dollar hedges in the year and has taken out hedges for the next financial year in Australian dollars and Singapore dollars.

## TAXATION

The overall tax charge on profit before tax was £3.4 million (2012: £3.1 million), an effective rate of 20.4% (2012: 20.2%). The current year tax charge was reduced by £197,000 (2012: £45,000 reduction) in respect of adjustments relating to prior years. The underlying tax rate was 21.6% (2012: 20.5%) 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 23%; this has reduced the deferred tax liability and hence the tax charge by £0.4 million (2.2%). A more detailed reconciliation of factors affecting the tax charge is shown in note 7 to the Financial Statements.

## SHARE PRICE

During the year the Company's share price increased by 36% from 252 pence to 343 pence, compared to a 24% increase in the FSTE small cap index excluding investment trusts. The Company's shares ranged in price from 234.75 pence to 354.88 pence but averaged 307.61 pence during the year.

**Allison Bainbridge**  
**Group Finance Director**  
**4 June 2013**

# Directors' Report

The directors of Vp plc present their annual report and the audited Financial Statements for the year ended 31 March 2013.

## 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 increase the final dividend to 9.00 pence per share reflecting the trading performance and prospects for the Group whilst maintaining a reasonable level of dividend cover. Subject to approval at the Annual General Meeting, shareholders will receive a total dividend for the year of 12.25 pence (2012: 11.35 pence) per share. This equates to a total dividend of £4,744,000 (2012: £4,437,000) 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 12 July 2013 and it is proposed that dividend warrants be posted on 9 August 2013.

## 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. He is Chairman of the Company and was Chairman and Chief Executive between 1981 and 2004. He is also Chairman of the Nomination Committee.

### 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 previously a non-executive director of Scarborough Building Society.

### Allison Bainbridge

#### *Group Finance Director*

Allison Bainbridge joined Vp in March 2011, she 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.

### 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.



# 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.

## Phil White

### *Non-executive Director*

Phil White was appointed as a non-executive director on 15 April 2013. He is non-executive Chairman of Kier Group Plc, Lookers Plc and Unite Group Plc as well as a non-executive director at Stagecoach Group Plc. He served as Chief Executive of National Express Group plc from 1997 to 2006. He will become Chair of the Remuneration Committee following the Annual General Meeting and is a member of the Audit and Nomination Committees.

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.

Peter Parkin has been a non-executive director for over nine years and will not be seeking re-election at the Annual General Meeting. As Phil White was appointed a Director since the last Annual General Meeting he is required to retire and seek re-appointment. He does not have a service contract, 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 21.

## SUBSTANTIAL SHAREHOLDERS

As at 4 June 2013 the following had notified the Company of an interest of 3% or more in the Company's issued ordinary share capital.

	Number of Ordinary Shares	Percentage of Issued Ordinary Shares %
Ackers P Investment Company Limited	20,181,411	50.26
JP Morgan Asset Management (UK) Limited	2,510,430	6.25
Discretionary Unit Fund Managers Limited	2,356,880	5.87
Vp Employee Trust	1,633,668	4.07

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

## EMPLOYEES

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

# Directors' Report

## POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political contributions during the year. Donations to charities amounted to £25,771 (2012: £24,946). 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 2013 was 35 days (2012: 56 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

A resolution is to be proposed to authorise the Company to purchase its own shares, subject to certain specific limits. This resolution is in accordance with the current guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds and will be proposed as a special resolution. The maximum and minimum prices that may be paid for an Ordinary Share in exercise of such powers are set out in Resolution 9(b) and 9(c) of the Notice of Meeting. 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 2013 the Company did not acquire any shares under the authority of the resolution passed at the preceding Annual General Meeting. In the year ended 31 March 2012 52,000 shares were acquired under the authority of the resolution, 1,675,000 shares were transferred from the Employee Trust to treasury and 3,089,000 shares were acquired as a result of the tender process approved at the General Meeting in March 2012. The shares acquired were held as treasury shares and were cancelled on 28 March 2013.

## GOING CONCERN

The Business Review on pages 8 to 12 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 13 to 14 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 £70m which are subject to bank covenant testing.

The Board has evaluated the facilities and covenants on the basis of the budget for 2013/14 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.

## CORPORATE GOVERNANCE

The Corporate Governance Statement on pages 23 to 26 forms part of the Directors' Report.

# Directors' Report

## RESPONSIBILITY STATEMENT OF THE DIRECTORS

The directors whose names appear on page 3 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.

## AUDITOR

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's 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**  
**4 June 2013**

# 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 2013. 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 Corporate Governance Code 2010 (the "Code").

## 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, Neil Stothard and Allison Bainbridge attend the meetings, in part, 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 twice during the year. The committee takes into account levels of remuneration in comparable companies, benchmark surveys and consults with independent remuneration advisors 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 average 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 ROACE 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 ROACE 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 average capital employed over a three year period. The initial value of awards is for 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 not 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 2013 there were 519 (33%) employees (2012: 469 (31%)) participating in the scheme.

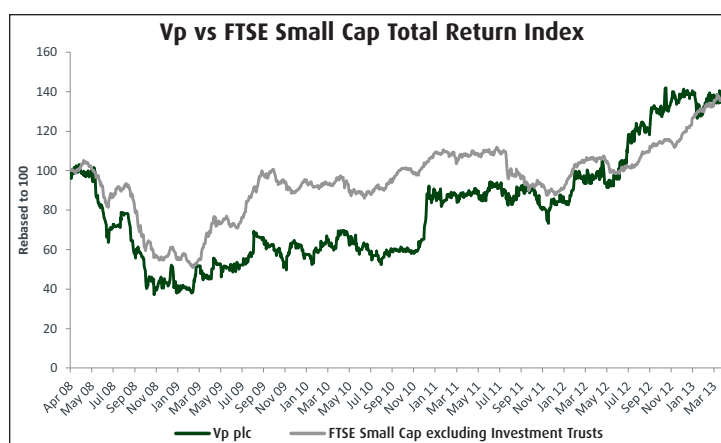
### Benefits in kind

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

## TOTAL SHAREHOLDER RETURN

The total cumulative shareholder return of the Group for the 5 years to 31 March 2013 increased by 39% as compared to an increase of 36% 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: Factset

# 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, 10 September 2008 for Steve Rogers and 8 April 2013 for Phil White.

## AUDITED INFORMATION

### DIRECTORS' REMUNERATION

The details of the remuneration of directors for the year ended 31 March 2013 are set out below:

	Salary/ Fees £000	Bonus £000	Cash Allowance/ Pension £000	Benefits £000	<b>Total 2013 £000</b>	Total 2012 £000
Jeremy Pilkington	444	186	168	43	<b>841</b>	872
Neil Stothard	317	133	55	26	<b>531</b>	545
Allison Bainbridge	214	90	32	17	<b>353</b>	362
Peter Parkin	38	-	-	-	<b>38</b>	35
Steve Rogers	38	-	-	-	<b>38</b>	35
	<u>1,051</u>	<u>409</u>	<u>255</u>	<u>86</u>	<b><u>1,801</u></b>	<u>1,849</u>

In line with the standard company wide pay award the base salaries of the executive directors will be increased by 2% in 2013/14 (2012/13: 2%).

Under the annual performance related bonus scheme the executive directors can earn bonus payments of a maximum of 50% of base salary, dependent upon the financial performance of the Group during the year. Specifically for 2012/13 the Group had to achieve an improvement in profit before tax and amortisation compared to prior year before any bonus payments would start to accrue. For performance resulting in profit before tax and amortisation of £17.6 million or above then the maximum threshold of 50% of base salary would be payable. The Group profit before tax and amortisation of £17.35 million for the year means 42% of base salary is payable to the executive directors.

## PENSIONS

The Company contributed to a defined contribution scheme on behalf of Neil Stothard and also paid him a cash allowance in lieu of some of his pension contribution. In addition cash allowances in lieu of pension contributions are paid to Jeremy Pilkington and Allison Bainbridge.

## 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 2012	Purchases/(sales)	<b>31 March 2013</b>
Jeremy Pilkington	27,220	-	<b>27,220</b>
Neil Stothard	658,149	14,927	<b>673,076</b>
Allison Bainbridge	8,000	8,000	<b>16,000</b>
Peter Parkin	67,500	(67,500)	-
Steve Rogers	-	-	-

During the year Jeremy Pilkington was interested in the shares owned by 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. At 31 March 2013 Ackers P Investment Company Limited owned 20,181,411 shares (2012: 21,181,411 shares).

# Remuneration Report

## DIRECTORS' INTERESTS (continued)

### SAYE Schemes

Options held under SAYE schemes were:

	1 April 2012	Granted in year	Exercised in year	Lapsed in year	31 March 2013	Option price
Neil Stothard						
2009 SAYE Scheme	2,927	-	(2,927)	-	-	124p
2010 SAYE Scheme	1,294	-	-	-	1,294	139p
2011 SAYE Scheme	1,805	-	-	-	1,805	200p
2012 SAYE Scheme	-	1,827	-	-	1,827	197p

### Share Matching Scheme

Options held under the Share Matching Scheme were:

	1 April 2012	Granted in year	Exercised in year	Lapsed in year	31 March 2013	Vested shares within total	Vested in year
Neil Stothard	31,400	12,000	-	(3,492)	39,908	15,908	15,908
Allison Bainbridge	8,000	8,000	-	-	16,000	-	-

### Long-term Incentive Plan

Awards under the long-term incentive plan were:

	1 April 2012	Granted in year	Exercised in year	Lapsed in year	31 March 2013	Vested shares within total	Vested in year
Jeremy Pilkington*	852,000*	166,000*	(344,400)*	(75,600)*	598,000*	-	344,400*
Neil Stothard	609,000	119,000	-	(54,000)	674,000	246,000	246,000
Allison Bainbridge	84,000	80,000	-	-	164,000	-	-

\*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 2013 is subject to the achievement of performance criteria over the relevant three year periods up to the year ended 31 March 2015.

Vesting will be based upon the Company's earnings per share (EPS) performance. EPS is measured on a net basis, in accordance with International Financial Reporting standards, but assuming a standard corporation tax charge on profits at the rate of 28% and excluding any amortisation and exceptional items shown on the face of the Income Statement or in the notes to the Company's accounts and utilising the whole of the issued ordinary share capital of the Company, assuming a constant level of issued Ordinary Share Capital.

No awards will vest if return on average capital employed is less than 12%.

Return on average capital employed is calculated by dividing the profit before interest and tax by the aggregate of average net assets and average net debt consistent with those shown in the management accounts of the Company for the relevant financial year.

Vesting of recent plans has been as follows:

Award Date	Vesting Date	Status
July 2008 (2008/09)	July 2011	44.6% vested
July 2009 (2009/10)	July 2012	82.0% vested
July 2010 (2010/11)	July 2013	95.1% due to vest

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 267p.

There were no changes in the interest of the directors between 31 March 2013 and 4 June 2013.

On behalf of the Board

**Peter Parkin**  
Chairman, Remuneration Committee  
4 June 2013

# Corporate Governance

The Board recognises that it 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 Corporate Governance Code issued in June 2010 (the "Code"). The Board confirms that throughout the year ended 31 March 2013 the Company has been in compliance with all of the provisions of the Code. The following paragraphs explain how the Company has applied good governance and the relevant principles of the Code.

## LEADERSHIP

The Board currently consists of three executive directors and three non-executive directors. The Chairman is an executive director. The biographies of the Board members shown on pages 15 and 16 indicate the high level and broad range of experience which the Board possesses. Peter Parkin is the Senior Independent Non-Executive Director, but will be succeeded by Steve Rogers at the Annual General Meeting.

The role of the Board is to sustain the enhancement of shareholder value over the long term whilst maintaining good corporate governance and managing risk. The Board reviews its progress against this objective on a regular basis. The Board exercises control over the performance of each operating company within the Group, principally by monitoring performance against agreed budgetary targets.

The Board has a schedule of matters reserved for its approval, including strategy, annual budgets, 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 roles of the Chairman and Group Managing Director are separate and clearly defined. The Chairman, Jeremy Pilkington, is responsible for the effective working of the Board and leading the development of the strategic agenda for the Group. The Managing Director, Neil Stothard, has operational responsibility for the management of the Group's business and for implementation of the strategy as agreed by the Board.

In the year ended 31 March 2013, the Board met five times. The Board also met on an ad hoc basis to deal with urgent business including the consideration and approval of major transactions. The table below lists the directors' attendance at the Board meetings and Committee meetings during the year ended 31 March 2013.

	<b>Board</b>	<b>Audit</b>	<b>Remuneration</b>
Number of meetings held	5	2	2
<i>Executive directors</i>			
Jeremy Pilkington	5	-	-
Neil Stothard	5	-	-
Allison Bainbridge	5	-	-
<i>Non-executive directors</i>			
Peter Parkin	5	2	2
Steve Rogers	5	2	2

Whilst Jeremy Pilkington, Neil Stothard and Allison Bainbridge are not members of the Audit Committee, they did attend both meetings. They also attended, in part, certain of the Remuneration Committee meetings.

The non-executive directors provide strong and independent monitoring of the performance of both the Group and its executive management.

## EFFECTIVENESS

### Independence

The Board considers the non-executive directors 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.

### Appointments to the Board

The Nomination Committee is chaired by the Company's Chairman, Jeremy Pilkington, with the non-executive directors also on the committee. The Nomination Committee meets as required to ensure that appointments to Board roles within the Group 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.

The Nomination Committee has written terms of reference, which are available on the Company's website at [www.vpplc.com](http://www.vpplc.com)



# Corporate Governance

## Induction, development and support

All new directors receive a full, formal and tailored induction on joining the Board, including meetings with senior management and advisers and visits to the Group's operational locations. The Board calendar is planned to ensure that directors are briefed on a wide range of topics throughout the year and are given the opportunity to visit sites and discuss aspects of the business with employees. The Board recognises the importance of continued training for the individual directors and they are encouraged to attend external seminars and briefings appropriate to their role on the Board.

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. During Board meetings, the non-executives routinely interrogate the performance of the business and seek further information as necessary on specific topics.

Whilst the Board generally meets at the Group head office in Harrogate, some meetings are held at other Group locations giving the directors the opportunity to review the operations and to meet local management. During the year three of the five board meetings were held at other Group locations.

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, Allison Bainbridge, who is also the Group Finance Director, is available to all directors and she is responsible for ensuring that Board procedures are followed and that all applicable rules and regulations are complied with. The Board continues to keep the Company Secretary role under review, but feels that the combination of the roles continues to work well for the business as a whole.

The Company reviews conduct and liability issues as part of its annual risk review and mitigates these exposures through Directors and Officer's insurance cover where applicable.

## Performance evaluation

The evaluation of the Chairman, the Board and its committees in 2012 was conducted by way of a questionnaire completed by all of the directors, the results of which were collated by the Company Secretary and presented to the entire Board. Based upon this evaluation, the Board concluded that performance in the past year had been good. Following the recent changes to the Board completion of the 2013 evaluation has been deferred until later in the year.

## Re-election

Any director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek re-election by shareholders at the next Annual General Meeting. 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, as Phil White was appointed a Director since the last Annual General Meeting he is required to retire and seek re-appointment.

## ACCOUNTABILITY

### Financial reporting

The directors and auditors set out their respective responsibilities for preparing and reviewing the financial statements in the statement of directors' responsibilities on page 30 and the independent auditor's report on page 31 of the financial statements.

### Risk management and 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 accountability for ensuring that risk is effectively managed across the Group and, on behalf of the Board, the Audit Committee reviews the effectiveness of the Group's risk process.

During 2011/12 the Group's risk process was refreshed. Potential risks were identified and reviewed by all business areas and measured against a defined set of likelihood and impact criteria. Action plans with defined ownership and timeframes for completion have been prepared for any gap identified in internal controls. During the year 2012/13 progress against action plans has been monitored and new risks identified. The risk profile for each business area is used to determine the programme of work carried out by Internal Audit. The risk assessments are captured in consistent reporting formats, enabling Internal Audit to consolidate the risk information and summarise the key risk in the form of a Group risk profile. Action plans against each risk will continue to be monitored on a regular basis. Further information is provided on page 25 on our principle risks and mitigating actions to address them.

# Corporate Governance

## RISK DESCRIPTION

## MITIGATION

### Market Risk

A downturn in economic recovery could result in worse than expected performance of the business, due to lower activity levels or prices.

Vp provides products and services to a diverse range of markets with increasing geographic spread. The Group regularly monitors economic conditions and our investment in fleet can be flexed with market demand.

### Competition

The equipment rental market is already competitive, and could become more so, impacting market share, revenues and margins.

Vp aims to provide a first class service to its customers and maintains significant market presence in a range of specialist niche sectors. The Group monitors market share, market conditions and competitor performance and has the financial strength to maximise opportunities.

### Investment/Product Management

In order to grow it is essential the Group obtains first class products at attractive prices and keeps them well maintained.

Vp has well established processes to manage its fleet from investment decision to disposal. The Groups return on average capital employed was a healthy 13.3% in 2012/13. The quality of the Group's fleet disposal margins also demonstrate robust asset management and appropriate depreciation policies.

### People

Retaining and attracting the best people is key to our aim of exceeding customer expectations and enhancing shareholder value.

Vp offers well structured reward and benefit packages, and nurtures a positive working environment. We also try to ensure our people fulfil their potential to the benefit of both the individual and the Group, by providing appropriate career advancement and training.

### Safety

The Group operates in industries where safety is a key consideration for the well being of both our employees and the customers that hire our equipment. Failure in this area would impact our results and reputation.

The Group has robust health and safety policies, and management systems and our induction and training programmes reinforce these policies.

We provide support to our customers exercising their responsibility to their own workforces when using our equipment.

### Financial Risks

To develop the business Vp must have access to funding at a reasonable cost. The Group is also exposed to interest rate and foreign exchange fluctuations which may impact profitability and has exposure to credit risk relating to customers who hire our equipment.

The Group has a revolving credit facility of £65m and maintains strong relationships with all banking contacts. Our treasury policy defines the level of risk that the Board deems acceptable. Vp continues to benefit from a strong balance sheet, with growing EBITDA, which allows us to invest into opportunities.

Our treasury policy requires a tangible proportion of debt to be at fixed interest rates and we facilitate this through interest rate swaps. We have agreements in place to buy or sell currencies to hedge against foreign exchange movements. We have strong credit control practices and use credit insurance where it is cost effective. Debtor days improved during the year and bad debts as a percentage of turnover remained low at 0.7% (2012: 0.9%).

# Corporate Governance

## Audit

The Audit Committee is chaired by Steve Rogers, with Peter Parkin and Phil White also sitting on the Committee. Steve retired as a senior partner of PriceWaterhouse in 2007 and the Board is satisfied that he has recent and relevant financial experience. The committee members are considered by the Board to be independent.

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 2013 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 auditor. 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.

The Committee has written terms of reference, which are available on the Company's website at [www.vpplc.com](http://www.vpplc.com)

## Remuneration

During the financial year 2012/13 the Remuneration Committee Chairman was Peter Parkin. Phil White, who was appointed a director on 15 April 2013 has become a member of this committee and will take over the role of Committee Chairman following the Annual General Meeting. Steve Rogers is also a member of the Committee. The Committee has written terms of reference, which are published on the Company's website at [www.vpplc.com](http://www.vpplc.com). Committee members are considered to be independent.

Full details of directors' remuneration and a statement of the Company's remuneration policy are set out in the Remuneration Report appearing on pages 19 to 22. 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 those recommendations of the Remuneration Committee which have a direct bearing on their own remuneration package.

The Committee annually invites shareholders to vote on the Remuneration Report at the Company's Annual General Meeting.

## RELATIONS WITH SHAREHOLDERS

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 N+1 Singer and Abchurch Communications, 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 directors. The Board also actively encourages communication with employees and details of this are noted in the Directors' Report.

# 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, competency based and focused on recruiting 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 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.

We use a number of measures to assess employee engagement. Three of which are:

- employee turnover
- working time lost through sickness and
- percentage of employees in Save As You Earn schemes (SAYE)

In the financial year employee annualised turnover was 15.1% (2012: 15.0%), working time lost was 1.8% (2012: 1.9%) and 33% (2012: 31%) of our employees participated in SAYE schemes.

We take our duty of care to our employees seriously and this year we have been able to give our employees access to an Employee Assistance Programme where they can obtain confidential advice and support on issues such as health, relationship problems and financial problems. As a Group over 16% of our employees have in excess of 10 years service, some have in excess of 35 years of service. Long service is recognised and celebrated by the business and we also recognise this continuity is a contributing factor to our strong performance through difficult economic times. We regularly communicate with our people by making extensive use of our intranet as well as employee conferences and our bi annual newsletter ViewPoint.

Retaining talented people is vital to our continued success. We therefore operate 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. Customer service programmes are run throughout the business. The key messages of these programmes are “take the initiative” and “take pride in all that you do”. 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.

We believe that we have always operated in an ethical manner and we aspire to demonstrate honesty, trust and integrity in the way we conduct our business. We do, however, have an established whistle blowing policy and employees are free to voice concerns on a confidential basis through the Human Resources Director and ultimately to 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, 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. During the year we made a significant investment in low level access fleet which will encourage safer sites and reduce the risk for our customers connected with working at height.

# Corporate and Social Responsibility

## HEALTH AND SAFETY (continued)

Health and Safety reports and issues are discussed at operational board meetings with updates to the main Board. During the year there were 6 (2012: 15) 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 impact our operations may have on 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 on the environment. In order to comply with this policy, the Group Health and Safety and Environmental Policy and Procedures Manual sets out the environmental responsibilities for all levels of management in the Group.

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 April 2012 table for converting energy usage to CO<sub>2</sub> emissions, including restating the prior year figures at the new conversion rates.

#### Direct Impacts (Operational)

Energy Type	Normalised Tonnes CO <sub>2</sub> per £m Revenue		Absolute Tonnes CO <sub>2</sub>	
	2013	2012 Restated	2013	2012
Gas and electricity	15.86	15.37	2,649	2,482
Diesel	68.71	78.59	11,475	12,692
Gas Oil	1.80	2.12	300	343
Total	<u>86.37</u>	<u>96.08</u>	<u>14,424</u>	<u>15,517</u>

#### Indirect (Supply Chain)

External Haulage	<u>26.35</u>	<u>26.98</u>	<u>4,401</u>	<u>4,357</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. For example the company car fleet is reviewed annually to ensure that we are utilising vehicles that are both CO<sub>2</sub> efficient and have the best fuel economy. A large proportion of our fleet now uses 'stop start technology'.

This year both absolute CO<sub>2</sub> emissions and normalised CO<sub>2</sub> emissions have reduced primarily reflecting a reduction in the use of diesel through more efficient vehicles and a reduction in the proportion of our fleet of equipment which uses diesel.

We have a number of initiatives across the Group to use recycled rainwater to wash and clean our fleet, saving water and energy.

# Corporate and Social Responsibility

## 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.
- We segregate our waste before collection to maximise recycling and minimise waste sent to landfill.
- Our suppliers minimise the packaging associated with our purchases.

## COMMUNITY

We aim to have a positive impact on communities in which we operate. As a business we actively encourage our teams to support their communities by providing their time and enthusiasm to raise money for local and national charities and the Group matches monies raised by employees.

During the year ended 31 March 2013 we donated nearly £26,000 (2012: £25,000) to charities. This included donations in support of employees participating in fund raising activities.

Vp recognises the need to train the engineers of the future and has successfully run apprentice schemes for a number of years, indeed many of our current employees started with us as apprentices. We work closely with the Construction Industry Training Board to recruit and support our apprentices to achieve their apprenticeship in plant maintenance and repair. We currently have 19 apprentices, 10 are just completing their first year and 9 completing their second, 8 of whom are going on to attend the optional third year to achieve advance apprenticeship accreditation. We are currently recruiting a further 18 apprentices to start in July 2013.

# 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 2013 set out on pages 33 to 66. 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 30, 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

## **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 2013 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.

## **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; or
- 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 23 to 26 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

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

1 The Embankment, Neville Street, Leeds LS1 4DW

**4 June 2013**

# Consolidated Income Statement

for the Year Ended 31 March 2013

		<b>2013</b>	2012
	<b>Note</b>	<b>£000</b>	Restated
			£000
<b>Revenue</b>	2	<b>167,034</b>	161,514
Cost of sales		<u><b>(124,791)</b></u>	<u>(120,910)</u>
<b>Gross profit</b>		<b>42,243</b>	40,604
Administrative expenses		<u><b>(23,377)</b></u>	<u>(22,737)</u>
<b>Operating profit before amortisation</b>	2	<b>19,815</b>	18,500
Amortisation	9	<b>(949)</b>	(633)
<b>Operating profit</b>	3	<b>18,866</b>	17,867
Financial income	6	<b>20</b>	36
Financial expenses	6	<u><b>(2,484)</b></u>	<u>(2,575)</u>
<b>Profit before amortisation and taxation</b>		<b>17,351</b>	15,961
Amortisation	9	<b>(949)</b>	(633)
<b>Profit before taxation</b>		<b>16,402</b>	15,328
Income tax expense	7	<u><b>(3,353)</b></u>	<u>(3,101)</u>
<b>Net profit for the year</b>		<u><b>13,049</b></u>	<u>12,227</u>
Basic earnings per 5p ordinary share	20	<b>33.62p</b>	29.63p
Diluted earnings per 5p ordinary share	20	<b>30.84p</b>	28.26p
Dividend per 5p ordinary share interim paid and final proposed	19	<b>12.25p</b>	11.35p

The restatement of the prior year did not affect reported profit, only revenue and cost of sales. This is explained in note 1. 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 2013

	Note	2013 £000	2012 £000
<b>Profit for the year</b>		<b>13,049</b>	12,227
Actuarial gains/(losses) on defined benefit pension scheme	24	<b>697</b>	(1,355)
Tax on items taken to Other Comprehensive Income	7	<b>(166)</b>	354
Impact of tax rate change	7	<b>(42)</b>	(98)
Effective portion of changes in fair value of cash flow hedges		<b>196</b>	684
Foreign exchange translation difference		<b>45</b>	(182)
<b>Total Other Comprehensive Income</b>		<b>730</b>	(597)
<b>Total Comprehensive Income for the year</b>		<b>13,779</b>	11,630

## Parent Company Statement of Comprehensive Income for the Year Ended 31 March 2013

	Note	2013 £000	2012 £000
<b>Profit for the year</b>		<b>7,068</b>	6,574
Actuarial gains/(losses) on defined benefit pension scheme	24	<b>697</b>	(1,355)
Tax on items taken to Other Comprehensive Income	7	<b>(166)</b>	354
Impact of tax rate change	7	<b>(42)</b>	(98)
Effective portion of changes in fair value of cash flow hedges		<b>196</b>	684
<b>Total Other Comprehensive Income</b>		<b>685</b>	(415)
<b>Total Comprehensive Income for the year</b>		<b>7,753</b>	6,159

# Statements of Changes in Equity

## Consolidated Statement of Changes in Equity for the Year Ended 31 March 2013

	Share Capital	Capital Redemption Reserve	Share Premium	Hedging Reserve	Retained Earnings	Non- controlling Interest	Total Equity
Note	£000	£000	£000	£000	£000	£000	£000
<b>Equity as at 1 April 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>
Total comprehensive income for the year	-	-	-	684	10,946	-	11,630
Tax movements to equity	7	-	-	-	233	-	233
Impact of tax rate change	7	-	-	-	(20)	-	(20)
Share option charge in the year	-	-	-	-	1,415	-	1,415
Net movement relating to treasury shares and shares held by Vp Employee Trust	-	-	-	-	(9,268)	-	(9,268)
Dividend to shareholders	19	-	-	-	(4,457)	-	(4,457)
Total change in equity during the year	-	-	-	684	(1,151)	-	(467)
<b>Equity at 31 March 2012</b>	<b>2,309</b>	-	<b>16,192</b>	<b>(990)</b>	<b>73,523</b>	<b>27</b>	<b>91,061</b>
Total comprehensive income for the year	-	-	-	196	13,583	-	13,779
Tax movements to equity	7	-	-	-	1,258	-	1,258
Impact of tax rate change	7	-	-	-	(42)	-	(42)
Share option charge in the year	-	-	-	-	1,225	-	1,225
Net movement relating to treasury shares and shares held by Vp Employee Trust	-	-	-	-	(1,922)	-	(1,922)
Cancellation of treasury shares	(301)	301	-	-	-	-	-
Dividend to shareholders	19	-	-	-	(4,437)	-	(4,437)
Total change in equity during the year	(301)	301	-	196	9,665	-	9,861
<b>Equity at 31 March 2013</b>	<b>2,008</b>	<b>301</b>	<b>16,192</b>	<b>(794)</b>	<b>83,188</b>	<b>27</b>	<b>100,922</b>

## Parent Company Statement of Changes in Equity for the Year Ended 31 March 2013

	Share Capital	Capital Redemption Reserve	Share Premium	Hedging Reserve	Retained Earnings	Total Equity
Note	£000	£000	£000	£000	£000	£000
<b>Equity as at 1 April 2011</b>	<b>2,309</b>	-	<b>16,192</b>	<b>(1,674)</b>	<b>39,323</b>	<b>56,150</b>
Total comprehensive income for the year	-	-	-	684	5,475	6,159
Tax movements to equity	7	-	-	-	233	233
Impact of tax rate change	7	-	-	-	(20)	(20)
Share option charge in the year	-	-	-	-	1,415	1,415
Net movement relating to treasury shares and shares held Vp Employee Trust	-	-	-	-	(9,268)	(9,268)
Dividend to shareholders	19	-	-	-	(4,457)	(4,457)
Total change in equity during the year	-	-	-	684	(6,622)	(5,938)
<b>Equity at 31 March 2012</b>	<b>2,309</b>	-	<b>16,192</b>	<b>(990)</b>	<b>32,701</b>	<b>50,212</b>
Total comprehensive income for the year	-	-	-	196	7,557	7,753
Tax movements to equity	7	-	-	-	1,258	1,258
Impact of tax rate change	7	-	-	-	(42)	(42)
Share option charge in the year	-	-	-	-	1,225	1,225
Net movement relating to treasury shares and shares held by Vp Employee Trust	-	-	-	-	(1,922)	(1,922)
Cancellation of treasury shares	(301)	301	-	-	-	-
Dividend to shareholders	19	-	-	-	(4,437)	(4,437)
Total change in equity during the year	(301)	301	-	196	3,639	3,835
<b>Equity at 31 March 2013</b>	<b>2,008</b>	<b>301</b>	<b>16,192</b>	<b>(794)</b>	<b>36,340</b>	<b>54,047</b>

# Consolidated Balance Sheet

at 31 March 2013

	Note	2013 £000	2012 £000
<b>Non-current assets</b>			
Property, plant and equipment	8	110,577	110,680
Intangible assets	9	39,279	38,966
Employee benefits	24	80	-
<b>Total non-current assets</b>		<b>149,936</b>	<b>149,646</b>
<b>Current assets</b>			
Inventories	11	5,679	4,826
Trade and other receivables	12	33,256	34,997
Cash and cash equivalents	13	8,712	5,582
<b>Total current assets</b>		<b>47,647</b>	<b>45,405</b>
<b>Total assets</b>		<b>197,583</b>	<b>195,051</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	14	(24,000)	(1)
Income tax payable		(1,539)	(1,476)
Trade and other payables	16	(34,838)	(47,654)
<b>Total current liabilities</b>		<b>(60,377)</b>	<b>(49,131)</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	14	(30,000)	(46,000)
Employee benefits	24	-	(1,046)
Deferred tax liabilities	17	(6,284)	(7,813)
<b>Total non-current liabilities</b>		<b>(36,284)</b>	<b>(54,859)</b>
<b>Total liabilities</b>		<b>(96,661)</b>	<b>(103,990)</b>
<b>Net assets</b>		<b>100,922</b>	<b>91,061</b>
<b>Equity</b>			
Issued share capital	18	2,008	2,309
Capital redemption reserve		301	-
Share premium		16,192	16,192
Hedging reserve		(794)	(990)
Retained earnings		83,188	73,523
<b>Total equity attributable to equity holders of the parent</b>		<b>100,895</b>	<b>91,034</b>
<b>Non-controlling interest</b>		<b>27</b>	<b>27</b>
<b>Total equity</b>		<b>100,922</b>	<b>91,061</b>

These financial statements were approved by the Board of Directors on 4 June 2013 and were signed on its behalf by:

**Jeremy Pilkington**  
Chairman

**Allison Bainbridge**  
Director

Company number: 481833

# Parent Company Balance Sheet

at 31 March 2013

	Note	2013 £000	2012 £000
<b>Non-current assets</b>			
Property, plant and equipment	8	58,522	59,154
Intangible assets	9	15,032	15,042
Investments in subsidiaries	10	25,385	25,385
Employee benefits	24	80	-
<b>Total non-current assets</b>		<u>99,019</u>	<u>99,581</u>
<b>Current assets</b>			
Inventories	11	1,870	1,058
Trade and other receivables	12	56,118	51,955
Cash and cash equivalents	13	237	728
<b>Total current assets</b>		<u>58,225</u>	<u>53,741</u>
<b>Total assets</b>		<u>157,244</u>	<u>153,322</u>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	14	(24,605)	(3,008)
Income tax payable		(1,182)	(1,014)
Trade and other payables	16	(43,778)	(47,411)
<b>Total current liabilities</b>		<u>(69,565)</u>	<u>(51,433)</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	14	(30,000)	(46,000)
Employee benefits	24	-	(1,046)
Deferred tax liabilities	17	(3,632)	(4,631)
<b>Total non-current liabilities</b>		<u>(33,632)</u>	<u>(51,677)</u>
<b>Total liabilities</b>		<u>(103,197)</u>	<u>(103,110)</u>
<b>Net assets</b>		<u>54,047</u>	<u>50,212</u>
<b>Equity</b>			
Issued share capital	18	2,008	2,309
Capital redemption reserve		301	-
Share premium		16,192	16,192
Hedging reserve		(794)	(990)
Retained earnings		36,340	32,701
<b>Total equity</b>		<u>54,047</u>	<u>50,212</u>

These financial statements were approved by the Board of Directors on 4 June 2013 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 2013

	Note	2013 £000	2012 £000
<b>Cash flows from operating activities</b>			
Profit before taxation		16,402	15,328
Adjustments for:			
Pension fund contributions in excess of expense recognised in Income Statement		(429)	(487)
Share based payment charges		1,225	1,415
Depreciation	8	21,173	20,169
Amortisation and impairment of intangibles	9	949	633
Financial expense		2,484	2,575
Financial income		(20)	(36)
Profit on sale of property, plant and equipment		(2,569)	(2,199)
		<u>39,215</u>	<u>37,398</u>
<b>Operating cash flow before changes in working capital and provisions</b>			
(Increase)/decrease in inventories		(796)	562
Decrease/(increase) in trade and other receivables		1,741	(1,690)
(Decrease)/increase in trade and other payables		(401)	3,099
		<u>39,759</u>	<u>39,369</u>
<b>Cash generated from operations</b>			
Interest paid		(2,504)	(2,558)
Interest element of finance lease rental payments		-	(3)
Interest received		20	36
Income taxes paid		(3,809)	(3,530)
		<u>33,466</u>	<u>33,314</u>
<b>Net cash from operating activities</b>			
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		9,609	7,370
Purchase of property, plant and equipment		(29,635)	(34,596)
Acquisition of businesses and subsidiaries (net of cash acquired)	25	(4,117)	-
		<u>(24,143)</u>	<u>(27,226)</u>
<b>Net cash from investing activities</b>			
<b>Cash flows from financing activities</b>			
Purchase of own shares by Employee Trust and Company		(9,767)	(1,422)
Repayment of borrowings		(5,000)	(30,000)
New loans		13,000	30,000
Payment of hire purchase and finance lease liabilities		(1)	(20)
Dividend paid	19	(4,437)	(4,457)
		<u>(6,205)</u>	<u>(5,899)</u>
<b>Net cash used in financing activities</b>			
Net increase in cash and cash equivalents		3,118	189
Effect of exchange rate fluctuations on cash held		12	(116)
Cash and cash equivalents as at the beginning of the year		5,582	5,509
		<u>8,712</u>	<u>5,582</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 2013

	Note	2013 £000	2012 £000
<b>Cash flows from operating activities</b>			
Profit before taxation		9,014	8,314
Adjustments for:			
Pension fund contributions in excess of expense recognised in Income Statement		(429)	(487)
Share based payment charges		1,225	1,415
Depreciation	8	9,742	9,050
Amortisation of intangibles	9	404	305
Financial expense		2,480	2,558
Financial income		(18)	(21)
Profit on sale of property, plant and equipment		(1,235)	(1,190)
		<u>21,183</u>	<u>19,944</u>
<b>Operating cash flow before changes in working capital and provisions</b>			
(Increase)/decrease in inventories		(755)	507
Increase in trade and other receivables		(4,163)	(3,045)
Increase in trade and other payables		6,728	3,764
		<u>22,993</u>	<u>21,170</u>
<b>Cash generated from operations</b>			
Interest paid		(2,504)	(2,544)
Interest received		18	21
Income taxes paid		(1,769)	(1,775)
		<u>18,738</u>	<u>16,872</u>
<b>Net cash from operating activities</b>			
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		3,653	2,902
Purchase of property, plant and equipment		(12,540)	(14,350)
Acquisition of businesses and subsidiaries (net of cash acquired)	25	(1,735)	-
		<u>(10,622)</u>	<u>(11,448)</u>
<b>Net cash from investing activities</b>			
<b>Cash flow from financing activities</b>			
Purchase of own shares by Employee Trust and Company		(9,767)	(1,422)
Repayment of borrowings		(5,000)	(30,000)
New loans		13,000	30,000
Payment of finance lease liabilities		-	(3)
Dividend paid	19	(4,437)	(4,457)
		<u>(6,204)</u>	<u>(5,882)</u>
<b>Net cash from financing activities</b>			
Net increase/(decrease) in cash and cash equivalents		1,912	(458)
Cash and cash equivalents as at the beginning of the year		(2,280)	(1,822)
		<u>(368)</u>	<u>(2,280)</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 2013, 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.

### Accounting policies and restatements

The Group's accounting policies are set out below and have been applied consistently to all periods presented in these consolidated Financial Statements with the exception that revenue and cost of sales for prior periods have been restated. The restatements do not affect profit and reflect the Group's revised view that revenue from commercial disposals of fleet assets is not from routine sales of fleet and hence should not be reported in revenue. The restatement reduces revenue and cost of sales for the year ended 31 March 2012 by £2.0m.

### Future standards

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:

- Amendments to IAS 1 'Presentation of Items in Other Comprehensive Income' (effective for periods commencing on or after 1 July 2012)
- IFRS 10 'Consolidated Financial Statements' (effective for periods commencing on or after 1 January 2013)
- IFRS 13 'Fair Value Measurement' (effective for periods commencing on or after 1 January 2013)
- Amendments to IAS 19 – 'Employee Benefits' (effective for periods commencing on or after 1 January 2013)
- Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (effective for periods commencing on or after 1 January 2013)
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (effective for periods commencing on or after 1 January 2014)

In addition at the date of approval of these Financial Statement the following standards and Interpretations were in issue, but not yet endorsed by the EU.

- IFRS 9 'Financial Instruments' (effective for periods commencing on or after 1 January 2015)

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

### 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.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Any profit generated on disposal is credited to cost of sales. No depreciation is provided on freehold land.

### Business combinations and goodwill

For acquisitions on or after 1 April 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition are expensed to the income statement as incurred.

In respect of acquisitions between 1 April 2004 and 1 April 2010, goodwill represents the difference between the cost of acquisitions and the fair value of identifiable net assets and contingent liabilities acquired. Costs related to the acquisition were capitalised as part of the cost of the acquisition.

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 not amortised, but 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 IFRS 1. Goodwill is included on the basis of deemed cost for the transactions which represent its carrying value at the date of transition to adopted IFRSs.

### 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, normally 10 years

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.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments

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

Dividends received and receivable 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.

### 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 to provide 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 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.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group's net obligation is recorded as a balance sheet asset or liability and the actuarial gains and losses associated with this balance sheet item are recognised in the Statement of Comprehensive Income as they arise. Actuarial gains and losses occur when actuarial assumptions including expected returns on scheme assets differ from those previously envisaged by the actuary. An asset for the surplus has been recognised on the basis that it is potentially recoverable against future contributions, however the balance sheet position is sensitive to small fluctuations in the assumptions made.

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.

### 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.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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", clarified 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 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.

### 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 2013 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 41). The rate of technological and legislative change is factored into the estimates, together with the diminution in value through use and time. The Group also takes account of the profit or loss it makes on the disposal of fixed assets in determining whether depreciation policies are appropriate.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The key assumptions applied to pensions are disclosed in note 24. The pension scheme position is 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, small changes to these assumptions can give rise to a significant impact on the pension scheme position 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 £81,000 (2012: £88,000).

## 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 pages 4 and 5. Total revenue in 2013 was £167,034,000 (2012: £161,514,000). 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 £23.0m (2012: £23.9m). In addition, all material assets and liabilities of the Group are accounted for by UK based companies.

### Business segments

	Revenue						Operating profit before amortisation	
	2013			2012			2013	2012
	External Revenue	Internal Revenue	Total Revenue	External Revenue Restated	Internal Revenue	Total Revenue Restated		
£000	£000	£000	£000	£000	£000	£000	£000	
Groundforce	37,165	138	37,303	32,692	230	32,922	7,833	6,738
UK Forks	14,061	392	14,453	12,595	380	12,975	2,099	1,462
Airpac Bukom	17,450	-	17,450	19,447	-	19,447	2,015	3,561
Torrent Trackside	21,444	-	21,444	22,102	1	22,103	2,235	2,223
TPA	14,897	247	15,144	14,597	231	14,828	1,310	1,178
Hire Station	62,017	632	62,649	60,081	706	60,787	4,323	3,338
	<b>167,034</b>	<b>1,409</b>	<b>168,443</b>	<b>161,514</b>	<b>1,548</b>	<b>163,062</b>	<b>19,815</b>	<b>18,500</b>

# Notes

## 2. SEGMENT REPORTING (continued)

Business segments	Assets		Liabilities		Net Assets	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Groundforce	41,843	38,366	9,550	8,322	32,293	30,044
UK Forks	20,195	20,990	3,699	6,563	16,496	14,427
Airpac Bukom	26,887	27,573	4,256	4,878	22,631	22,695
Torrent Trakside	8,886	12,421	3,621	5,203	5,265	7,218
TPA	30,688	31,642	4,310	4,914	26,378	26,728
Hire Station	64,947	61,575	12,147	14,536	52,800	47,039
Group/unallocated	4,137	2,484	59,078	59,574	(54,941)	(57,090)
	<b>197,583</b>	<b>195,051</b>	<b>96,661</b>	<b>103,990</b>	<b>100,922</b>	<b>91,061</b>

	Acquired Assets		Capital Expenditure		Depreciation and Amortisation	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Groundforce	-	-	7,824	5,859	4,015	3,648
UK Forks	1,678	-	486	8,805	2,629	2,070
Airpac Bukom	-	-	2,165	2,023	3,458	3,543
Torrent Trakside	-	-	1,245	3,427	1,655	1,720
TPA	-	-	2,783	5,272	1,540	1,931
Hire Station	2,382	-	10,532	9,100	8,454	7,527
Group/unallocated	-	-	250	311	371	363
	<b>4,060</b>	<b>-</b>	<b>25,285</b>	<b>34,797</b>	<b>22,122</b>	<b>20,802</b>

Acquired assets relate primarily to tangible and intangible assets acquired as a result of acquisitions. 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

	2013 £000	2012 £000
<b>Operating profit is stated after charging/(crediting):</b>		
Amortisation of intangible assets	949	633
Depreciation of property, plant and equipment – owned	21,172	20,157
– leased	1	12
Rent of land and buildings	3,808	3,945
Hire of other assets	9,948	10,071
Profit on disposal of plant and equipment	(2,569)	(2,199)
<b>Amounts paid to auditor:</b>		
Audit fees – parent company annual accounts	59	61
– other group companies	73	71
– total group	132	132
Tax compliance services	84	93
Tax advisory services	30	34
Audit related assurance services	19	19
Other services pursuant to legislation	3	8

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 only required to be disclosed on a consolidated basis.

# Notes

## 4. EMPLOYMENT COSTS

### Group

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

	Number of employees	
	2013	2012
Operations	1,158	1,116
Sales	181	180
Administration	241	233
	<u>1,580</u>	<u>1,529</u>

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£000	£000
Wages and salaries	48,889	45,732
Social security costs	5,050	4,604
Defined benefit pension costs	(26)	(97)
Other pension related costs	986	960
Share option costs including associated social security costs - equity settled	1,896	1,783
- cash settled	1,279	1,013
	<u>58,074</u>	<u>53,995</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:

	2013	2012
	£000	£000
Basic remuneration including bonus and benefits	1,546	1,590
Cash allowances/pension contributions	255	259
	<u>1,801</u>	<u>1,849</u>

Further details of directors' remuneration and pensions are given in the Remuneration Report on pages 19 to 22.

## 6. FINANCIAL INCOME AND EXPENSES

	2013	2012
	£000	£000
Financial income:		
Bank and other interest receivable	<u>20</u>	<u>36</u>
Financial expenses:		
Bank loans, overdrafts and other interest	(2,484)	(2,572)
Finance charges payable in respect of finance leases and hire purchase contracts	-	(3)
	<u>(2,484)</u>	<u>(2,575)</u>



# Notes

## 7. INCOME TAX EXPENSE

	2013 £000	2012 £000
<b>Current tax expense</b>		
UK Corporation tax charge at 24% (2012: 26%)	4,471	3,835
Overseas tax	13	303
UK adjustments relating to earlier years	(126)	(32)
Total current tax	<u>4,358</u>	<u>4,106</u>
<b>Deferred tax expense</b>		
Current year deferred tax	(573)	(222)
Impact of tax rate change	(361)	(770)
Adjustments to deferred tax relating to earlier years	(71)	(13)
Total deferred tax	<u>(1,005)</u>	<u>(1,005)</u>
<b>Total tax expense in income statement</b>	<u>3,353</u>	<u>3,101</u>

### Reconciliation of effective tax rate

	2013 %	2013 £000	2012 %	2012 £000
Profit on ordinary activities before tax		<u>16,402</u>		<u>15,328</u>
Profit on ordinary activities multiplied by standard rate of corporation tax	24.0	3,936	26.0	3,985
Effects of:				
Impact of tax rate changes	(2.2)	(361)	(5.0)	(770)
Expenses not deductible for tax purposes	0.3	55	0.4	67
Non-qualifying depreciation	0.8	131	0.8	131
Gains covered by exemption/losses	(1.5)	(237)	(1.8)	(280)
Overseas tax rate	0.2	26	0.1	13
Adjustments to tax charge in respect of previous years	(1.2)	(197)	(0.3)	(45)
Total tax charge for the year	<u>20.4</u>	<u>3,353</u>	<u>20.2</u>	<u>3,101</u>

### Tax recognised in reserves

	2013 £000	2012 £000
Other comprehensive income		
Tax relating to actuarial gains/(losses) on defined benefit pension scheme	167	(352)
Tax relating to historic asset revaluations	(1)	(2)
Impact of tax rate change	42	98
	<u>208</u>	<u>(256)</u>
Direct to equity		
Deferred tax relating to share based payments	(774)	(233)
Current tax relating to share based payments	(484)	-
Impact of tax rate change	42	20
	<u>(1,216)</u>	<u>(213)</u>
Total	<u>(1,008)</u>	<u>(469)</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 £0.4m.

# Notes

## 8. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and Buildings	Rental Equipment	Motor Vehicles	Other Assets	Total
Cost or deemed cost	£000	£000	£000	£000	£000
At 1 April 2011	11,980	163,331	1,962	9,930	187,203
Additions	872	32,131	200	1,594	34,797
Disposals	(305)	(15,410)	(154)	(531)	(16,400)
Exchange rate differences	(6)	(81)	(1)	(6)	(94)
At 31 March 2012	12,541	179,971	2,007	10,987	205,506
Additions	756	22,534	318	1,677	25,285
Acquisitions	-	2,784	-	14	2,798
Disposals	(25)	(18,841)	(350)	(1,111)	(20,327)
Exchange rate differences	8	16	18	11	53
Transfer between categories	1	4	12	(17)	-
At 31 March 2013	13,281	186,468	2,005	11,561	213,315
<b>Depreciation and impairment losses</b>					
At 1 April 2011	5,162	72,382	1,480	6,893	85,917
Charge for year	550	18,187	278	1,154	20,169
On disposals	(300)	(10,270)	(154)	(505)	(11,229)
Exchange rate differences	(4)	(22)	(1)	(4)	(31)
At 31 March 2012	5,408	80,277	1,603	7,538	94,826
Charge for year	643	18,896	258	1,376	21,173
On disposals	(13)	(11,852)	(320)	(1,102)	(13,287)
Exchange rate differences	3	4	11	8	26
At 31 March 2013	6,041	87,325	1,552	7,820	102,738
<b>Carrying amount</b>					
<b>At 31 March 2013</b>	<b>7,240</b>	<b>99,143</b>	<b>453</b>	<b>3,741</b>	<b>110,577</b>
At 31 March 2012	7,133	99,694	404	3,449	110,680
At 31 March 2011	6,818	90,949	482	3,037	101,286
<b>COMPANY</b>					
<b>Cost or deemed cost</b>					
At 1 April 2011	7,862	84,123	599	3,818	96,402
Additions	152	16,111	101	569	16,933
Group transfers	-	(418)	-	-	(418)
Disposals	-	(3,804)	(61)	(2)	(3,867)
At 31 March 2012	8,014	96,012	639	4,385	109,050
Additions	158	9,327	30	653	10,168
Acquisitions	-	1,280	-	4	1,284
Group transfers	-	(414)	-	4	(410)
Disposals	-	(5,396)	(102)	(717)	(6,215)
Transfer between categories	-	(12)	12	-	-
At 31 March 2013	8,172	100,797	579	4,329	113,877
<b>Depreciation and impairment losses</b>					
At 1 April 2011	2,820	37,934	510	2,422	43,686
Charge for year	248	8,259	74	469	9,050
Group transfers	-	(211)	-	-	(211)
On disposals	-	(2,566)	(61)	(2)	(2,629)
At 31 March 2012	3,068	43,416	523	2,889	49,896
Charge for year	257	8,904	37	544	9,742
Group transfers	-	(186)	-	-	(186)
On disposals	-	(3,282)	(102)	(713)	(4,097)
At 31 March 2013	3,325	48,852	458	2,720	55,355
<b>Carrying amount</b>					
<b>At 31 March 2013</b>	<b>4,847</b>	<b>51,945</b>	<b>121</b>	<b>1,609</b>	<b>58,522</b>
At 31 March 2012	4,946	52,596	116	1,496	59,154
At 31 March 2011	5,042	46,189	89	1,396	52,716

# 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 (2012: £2,176,000) of freehold land not subject to depreciation.

Included in the total net book value of fixed assets of the Group is £nil (2012: £1,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these Group assets was £1,000 (2012: £12,000). 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 2011 and 31 March 2012	2,118	5,613	1,176	34,269	43,176
Acquired through business combinations	-	-	1,262	-	1,262
Fully utilised	-	-	(1,176)	-	(1,176)
At 31 March 2013	<u>2,118</u>	<u>5,613</u>	<u>1,262</u>	<u>34,269</u>	<u>43,262</u>
<b>Accumulated amortisation and impairment</b>					
At 1 April 2011	264	1,857	1,176	280	3,577
Amortisation	72	561	-	-	633
At 31 March 2012	<u>336</u>	<u>2,418</u>	<u>1,176</u>	<u>280</u>	<u>4,210</u>
Amortisation	71	562	316	-	949
Fully utilised	-	-	(1,176)	-	(1,176)
At 31 March 2013	<u>407</u>	<u>2,980</u>	<u>316</u>	<u>280</u>	<u>3,983</u>
<b>Carrying amount</b>					
<b>At 31 March 2013</b>	<b><u>1,711</u></b>	<b><u>2,633</u></b>	<b><u>946</u></b>	<b><u>33,989</u></b>	<b><u>39,279</u></b>
At 31 March 2012	<u>1,782</u>	<u>3,195</u>	-	<u>33,989</u>	<u>38,966</u>
At 31 March 2011	<u>1,854</u>	<u>3,756</u>	-	<u>33,989</u>	<u>39,599</u>

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 8% being the estimated weighted average cost of capital. 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.

An intangible asset of £1,400,000 (2012: £1,400,000) with an indefinite life 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 2011 and 31 March 2012	376	2,682	477	13,174	16,709
Acquired through business combinations	-	-	394	-	394
Fully utilised	-	-	(477)	-	(477)
At 31 March 2013	<u>376</u>	<u>2,682</u>	<u>394</u>	<u>13,174</u>	<u>16,626</u>
<b>Accumulated amortisation</b>					
At 1 April 2011	116	769	477	-	1,362
Amortisation charge	37	268	-	-	305
At 31 March 2012	<u>153</u>	<u>1,037</u>	<u>477</u>	<u>-</u>	<u>1,667</u>
Amortisation charge	38	268	98	-	404
Fully utilised	-	-	(477)	-	(477)
At 31 March 2013	<u>191</u>	<u>1,305</u>	<u>98</u>	<u>-</u>	<u>1,594</u>
<b>Carrying amount</b>					
<b>At 31 March 2013</b>	<u><b>185</b></u>	<u><b>1,377</b></u>	<u><b>296</b></u>	<u><b>13,174</b></u>	<u><b>15,032</b></u>
At 31 March 2012	<u>223</u>	<u>1,645</u>	<u>-</u>	<u>13,174</u>	<u>15,042</u>
At 31 March 2011	<u>260</u>	<u>1,913</u>	<u>-</u>	<u>13,174</u>	<u>15,347</u>

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 2011, 31 March 2012 and 31 March 2013	<u>27,072</u>
<b>Impairment</b>	
At 1 April 2011, 31 March 2012 and 31 March 2013	<u>1,687</u>
<b>Carrying amount</b>	
<b>At 31 March 2013</b>	<u><b>25,385</b></u>
At 31 March 2012	<u>25,385</u>
At 31 March 2011	<u>25,385</u>

See note 29 for details of the subsidiary undertakings.

## 11. INVENTORIES

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Raw materials and consumables	<u>2,533</u>	2,146	<u>1,094</u>	796
Goods for resale	<u>3,146</u>	2,680	<u>776</u>	262
	<u><b>5,679</b></u>	<u>4,826</u>	<u><b>1,870</b></u>	<u>1,058</u>

# Notes

## 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade receivables	29,112	30,044	13,191	11,355
Amounts owed by subsidiary undertakings	-	-	41,583	38,796
Other receivables	190	163	-	-
Prepayments and accrued income	3,954	4,790	1,344	1,804
	<u>33,256</u>	<u>34,997</u>	<u>56,118</u>	<u>51,955</u>

During the year there was an increase in the provisions for impairment of trade receivables of £119,000 (2012: £116,000 increase). The provision at the year end for bad debts and credit notes was £3.7m. 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:

	2013 £000	2012 £000
Not overdue	21,256	23,236
0 - 30 days overdue	5,581	4,641
31 - 90 days overdue	1,804	1,635
More than 90 days overdue	471	532
	<u>29,112</u>	<u>30,044</u>

On this basis there are £7.9m 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 2013 that these debtors will not meet their payment obligations in respect of trade receivables recognised in the balance sheet that are overdue and unprovided.

## 13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Bank balances	8,712	5,582	237	728

## 14. INTEREST-BEARING LOANS AND BORROWINGS

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
<b>Current liabilities</b>				
Bank overdraft	-	-	605	3,008
Secured bank loans	24,000	-	24,000	-
Obligations under finance leases and hire purchase contracts	-	1	-	-
	<u>24,000</u>	<u>1</u>	<u>24,605</u>	<u>3,008</u>
<b>Non-current liabilities</b>				
Secured bank loans	30,000	46,000	30,000	46,000
	<u>30,000</u>	<u>46,000</u>	<u>30,000</u>	<u>46,000</u>

# Notes

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

The repayment schedule of the carrying amount of the non-current liabilities as at 31 March 2013 is:

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
<b>Due in more than one year but not more than two years:</b>				
Secured bank loans	-	16,000	-	16,000
<b>Due in more than two years but not more than five years:</b>				
Secured bank loans	30,000	30,000	30,000	30,000
<b>Total</b>	<b>30,000</b>	<b>46,000</b>	<b>30,000</b>	<b>46,000</b>

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 2013 were £16.0m.

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 13 to 14 and the Corporate Governance Report on page 25. 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 loans are repaid at the end of the committed period and interest rates reflect future dated swap agreements.

GROUP	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1-2 years £000	2-5 years £000
<b>31 March 2013</b>					
Secured bank loans	54,000	56,555	25,425	840	30,290
Trade and other payables	34,838	34,838	34,838	-	-
	<u>88,838</u>	<u>91,393</u>	<u>60,263</u>	<u>840</u>	<u>30,290</u>
<b>31 March 2012</b>					
Secured bank loans	46,000	50,595	2,173	17,136	31,286
Finance lease liabilities	1	1	1	-	-
Trade and other payables	47,654	47,654	47,654	-	-
	<u>93,655</u>	<u>98,250</u>	<u>49,828</u>	<u>17,136</u>	<u>31,286</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 2013</b>					
Secured bank loans	54,000	56,555	25,425	840	30,290
Bank overdraft	605	605	605	-	-
Trade and other payables	43,778	43,778	43,778	-	-
	<u>98,383</u>	<u>100,938</u>	<u>69,808</u>	<u>840</u>	<u>30,290</u>
<b>31 March 2012</b>					
Secured bank loans	46,000	50,595	2,173	17,136	31,286
Bank overdraft	3,008	3,008	3,008	-	-
Trade and other payables	47,411	47,411	47,411	-	-
	<u>96,419</u>	<u>101,014</u>	<u>52,592</u>	<u>17,136</u>	<u>31,286</u>

### Hire purchase and finance lease liabilities

GROUP	Payment	Interest	Principal	Payment	Interest	Principal
	2013 £000	2013 £000	2013 £000	2012 £000	2012 £000	2012 £000
Less than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

## 15. FINANCIAL INSTRUMENTS

The Group has four 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 two tranches. The remaining swap from the first tranche expires in August 2013; it was for a period of 5 years, with a bank only call option after 3 years. It fixes interest rates net of bank margin at 5.595%. The second tranche was taken out in August, October and December 2011. One of these swaps is future dated to start when the last swap from the first tranche expires. They fix interest rates net of bank margin at between 1.255% and 1.323%, and each has a life of three years. 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.

The Group had seven foreign exchange hedges to reduce the risk of foreign exchange fluctuations between US dollars and Sterling in the year ended 31 March 2013. It also has a further nine foreign exchange hedges between US dollars and Sterling covering the period from 1 April 2013 to 30 June 2014. In addition to the US dollar hedges the group also had Australian dollar and Singapore dollar hedges in the year and has taken out hedges for the next financial year in Australian dollars and Singapore dollars. All the exchange rate hedges are effective cash flow hedges and movements in fair value have been taken to equity.

An analysis of fair values by hierarchy level is provided below:

Liabilities measured at fair value:

	31 March 2013				31 March 2012
	Total £000	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities at fair value:					
Interest rate swaps	619	-	619	-	1,041
Forward exchange rate agreements	281	-	281	-	(55)
	<u>900</u>	<u>-</u>	<u>900</u>	<u>-</u>	<u>986</u>

# Notes

## 15. FINANCIAL INSTRUMENTS (continued)

The movements in liabilities are reconciled below:

	31 March 2013		Total £000
	Interest rate swaps £000	Forward exchange rate agreements £000	
Opening liability	1,041	(55)	986
Other comprehensive income	(422)	226	(196)
Recycled to income statement	-	110	110
Closing balance	<u>619</u>	<u>281</u>	<u>900</u>

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

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 Capital Structure and Treasury section of the Financial Review on page 14 and the Corporate Governance Report on page 25, 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)	
	2013 £000	2012 £000
<b>10% strengthening of Sterling against:</b>		
US Dollar	(94)	(12)
Australian Dollar	63	(43)
Singapore Dollar	20	106
Euro	35	27
<b>10% weakening of Sterling against:</b>		
US Dollar	115	14
Australian Dollar	(76)	53
Singapore Dollar	(26)	(129)
Euro	(47)	(33)
<b>10% movement in Sterling interest rates:</b>		
Increase in interest rates	(80)	(68)
Decrease in interest rates	80	68

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	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade payables	13,277	18,177	4,814	7,237
Amounts owed to subsidiary undertakings	-	-	26,904	21,773
Other taxes and social security	4,359	3,523	1,986	968
Other payables	3,060	3,414	900	986
Accruals and deferred income	14,142	22,540	9,174	16,447
	<u>34,838</u>	<u>47,654</u>	<u>43,778</u>	<u>47,411</u>

Included in the prior year accruals and deferred income is a creditor for the £7.8 million paid in April 2012 in relation to the tender offer for the purchase of own shares. In the prior year cash flow the £7.8 million was not reflected as a cash flow on purchase of own shares. This is shown in the current year cash flow.



# Notes

## 17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

GROUP	Note	Property, plant and equipment £000	Intangible assets £000	Employee benefits £000	Other items £000	Total £000
1 April 2011		8,810	1,780	(836)	(467)	9,287
Recognised in income		(872)	(180)	(193)	240	(1,005)
Recognised in equity	7	(8)	-	(461)	-	(469)
At 31 March 2012		<u>7,930</u>	<u>1,600</u>	<u>(1,490)</u>	<u>(227)</u>	<u>7,813</u>
Recognised in income		(922)	(182)	107	(8)	(1,005)
Recognised in equity	7	(6)	-	(518)	-	(524)
<b>At 31 March 2013</b>		<b><u>7,002</u></b>	<b><u>1,418</u></b>	<b><u>(1,901)</u></b>	<b><u>(235)</u></b>	<b><u>6,284</u></b>

COMPANY	Note	Property, plant and equipment £000	Intangible assets £000	Employee benefits £000	Other items £000	Total £000
1 April 2011		6,116	691	(836)	(335)	5,636
Recognised in income		(447)	(102)	(193)	206	(536)
Recognised in equity	7	(8)	-	(461)	-	(469)
At 31 March 2012		<u>5,661</u>	<u>589</u>	<u>(1,490)</u>	<u>(129)</u>	<u>4,631</u>
Recognised in income		(497)	(72)	107	(13)	(475)
Recognised in equity	7	(6)	-	(518)	-	(524)
<b>At 31 March 2013</b>		<b><u>5,158</u></b>	<b><u>517</u></b>	<b><u>(1,901)</u></b>	<b><u>(142)</u></b>	<b><u>3,632</u></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

	2013 £000	2012 £000
<b>Ordinary share capital</b>		
<b>Allotted, called up and fully paid</b>		
40,154,253 Ordinary shares of 5 pence each (2012: 46,185,000)	<u>2,008</u>	<u>2,309</u>

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 35.

### Own shares held

Deducted from retained earnings (Group and Company) is £4,943,000 (2012: £17,936,000) 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 1,554,000 shares (2012: 1,954,000) with a market value at 31 March 2013 of £5,332,000 (2012: £4,923,000). On 28 March 2013 6,031,000 treasury shares with a market value of £20.7 million were cancelled. As at 31 March 2012 the Company had 6,031,000 treasury shares with a market value of £15,197,000.

# Notes

## 19. DIVIDENDS

	<b>2013</b>	2012
	<b>£000</b>	£000
Amounts recognised as distributions to equity holders of the parent in the year:		
Ordinary shares:		
Final paid 8.25p (2012: 7.70p) per share	<b>3,160</b>	3,180
Interim paid 3.25p (2012: 3.10p) per share	<b>1,277</b>	1,277
	<b><u>4,437</u></b>	<u>4,457</u>

The dividend paid in the year is after dividends were waived to the value of £874,000 (2012: £531,000) 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 9.00p per share which will absorb an estimated £3,467,000 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 33.62 pence (2012: 29.63 pence) was based on the profit attributable to equity holders of the parent of £13,049,000 (2012: £12,227,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2013 of 38,818,000 (2012: 41,268,000), calculated as follows:

	<b>2013</b>	2012
	<b>Shares</b>	Shares
	<b>000's</b>	000's
Issued ordinary shares	<b>40,154</b>	46,185
Effect of own shares held	<b>(1,336)</b>	(4,917)
Weighted average number of ordinary shares	<b><u>38,818</u></b>	<u>41,268</u>

Basic earnings per share before the amortisation of intangibles was 35.47 pence (2012: 30.76 pence) and is based on an after tax add back of £721,000 (2012: £468,000) in respect of the amortisation of intangibles.

### Diluted earnings per share

The calculation of diluted earnings per share of 30.84 pence (2012: 28.26 pence) was based on profit attributable to equity holders of the parent of £13,049,000 (2012: £12,227,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2013 of 42,308,000 (2012: 43,269,000), calculated as follows:

	<b>2013</b>	2012
	<b>Shares</b>	Shares
	<b>000's</b>	000's
Weighted average number of ordinary shares	<b>38,818</b>	41,268
Effect of share options	<b>3,490</b>	2,001
Weighted average number of ordinary shares (diluted)	<b><u>42,308</u></b>	<u>43,269</u>

Diluted earnings per share before the amortisation of intangibles was 32.55 pence (2012: 29.34 pence).

# Notes

## 21. SHARE OPTION SCHEMES

### SAYE Scheme

During the year options over a further 544,515 shares were granted under the SAYE scheme at a price of 197 pence. The outstanding options at the year end were:

<b>Date of Grant</b>	<b>Price per share</b>	<b>Number of shares</b>
August 2009	124p	1,463
August 2010	139p	375,857
August 2011	200p	358,711
July 2012	197p	498,027
		<u>1,234,058</u>

All the options are exercisable between 3 and 3.5 years. At 31 March 2013 there were 519 employees saving an average £119 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 249,000 shares were granted during the year at a price of 266.5 pence. The options outstanding at the year end were:

<b>Date of Grant</b>	<b>Price per share</b>	<b>Number of shares</b>
June 2003	104.0p	4,625
June 2004	145.5p	10,000
July 2005	200.0p	40,000
July 2006	293.5p	192,000
July 2008	213.0p	50,398
July 2009	154.0p	38,270
July 2010	165.0p	114,000
July 2011	249.5p	440,750
July 2012	266.5p	240,250
		<u>1,130,293</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2010 to 2012 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 20. The awards for 2009 and prior are vested, but not yet exercised.

### Unapproved Share Option Scheme

Options over 875,000 shares were granted during the year at a price of 266.5 pence. The options outstanding at the year end were:

<b>Date of Grant</b>	<b>Price per share</b>	<b>Number of shares</b>
July 2004	145.5p	59,000
July 2005	200.0p	200,000
July 2006	293.5p	204,500
July 2008	213.0p	128,225
July 2009	154.0p	257,280
July 2010	165.0p	894,000
July 2011	249.5p	519,250
July 2012	266.5p	863,750
		<u>3,126,005</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2010 to 2012 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 20. The awards for 2009 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 616,000 shares. Shares outstanding at the year end were:

Date of Grant	Number of shares
July 2008	37,910
July 2009	486,400
July 2010	775,000
July 2011	616,000
July 2012	616,000
	<u>2,531,310</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2010 to 2012 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on pages 20 and 22. The awards for 2009 and prior are vested, but not yet exercised.

### Share Matching

Awards were made during the year in relation to a further 52,500 shares. Shares outstanding at the year end were:

Date of Grant	Number of shares
August 2005	3,000
August 2006	5,750
August 2008	4,683
August 2009	50,256
August 2010	39,485
August 2011	47,340
July 2012	52,500
	<u>203,014</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2010 to 2012 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 20. The awards for 2009 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 2013 was 343 pence (2012: 252 pence), the highest market value in the year to 31 March 2013 was 354.88 pence and the lowest 234.75 pence. The average share price during the year was 307.61 pence.

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

	2013		2012	
	Weighted average exercise price	Number of options 000s	Weighted average exercise price	Number of options 000s
Outstanding at beginning of the year	128p	8,685	121p	8,300
Lapsed during the year	122p	(708)	144p	(1,321)
Exercised during the year	121p	(2,089)	126p	(546)
Granted during the year	174p	2,337	164p	2,252
Outstanding at the end of the year	<u>144p</u>	<u>8,225</u>	<u>128p</u>	<u>8,685</u>
Exercisable at the year end	<u>146p</u>	<u>1,774</u>	<u>217p</u>	<u>1,452</u>

The options outstanding at 31 March 2013 have an exercise price in the range of 0.0p to 293.5p and have a weighted average life of 2.2 years.

# Notes

## 21. SHARE OPTION SCHEMES (continued)

For options granted, 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>2013</b> <b>97.8p</b>	2012 95.1p
Share price at date of grant	<b>245.5p to 302.5p</b>	238.0p to 249.5p
Exercise price (details provided above)	<b>0p to 266.5p</b>	0p to 249.5p
Expected volatility	<b>17.4% to 19.8%</b>	20.1% to 20.3%
Option life	<b>3 to 10 years</b>	3 to 10 years
Expected dividend yield	<b>4.2% to 5.1%</b>	4.8% to 5.0%
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 £1,302,000 (2012: £1,315,000).

## 22. OPERATING LEASES

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

	<b>2013</b>		2012	
	<b>Land and buildings</b>	<b>Other</b>	Land and buildings	Other
	<b>£000</b>	<b>£000</b>	£000	£000
<b>GROUP</b>				
Operating leases which expire:				
Within one year	<b>3,282</b>	<b>3,234</b>	3,181	2,855
In the second to fifth years inclusive	<b>6,290</b>	<b>2,464</b>	5,876	2,724
Over five years	<b>908</b>	-	927	-
	<b><u>10,480</u></b>	<b><u>5,698</u></b>	<u>9,984</u>	<u>5,579</u>
<b>COMPANY</b>				
Operating leases which expire:				
Within one year	<b>782</b>	<b>1,727</b>	768	1,529
In the second to fifth years inclusive	<b>1,598</b>	<b>847</b>	1,781	1,075
Over five years	<b>4</b>	-	-	-
	<b><u>2,384</u></b>	<b><u>2,574</u></b>	<u>2,549</u>	<u>2,604</u>

## 23. CAPITAL COMMITMENTS

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

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>£000</b>	£000	<b>£000</b>	£000
Contracted	<b><u>2,943</u></b>	<u>2,816</u>	<b><u>2,326</u></b>	<u>2,288</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 as at 31 March 2012 and the results have been updated to 31 March 2013 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 £403,000. This is equivalent to approximately 24.7% of pensionable pay plus regular monthly contributions to reduce the deficit in the scheme totalling £375,000 for the year and a transfer top up of £17,000. Contributions over the next financial year are expected to be at the rate of 24.1% 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	
	2013	2012
	£000	£000
Present value of defined benefit obligation	<b>(8,893)</b>	(8,958)
Fair value of scheme assets	<b>8,973</b>	7,912
Present value of net obligations	<b>80</b>	(1,046)

### Liability for defined benefit obligations

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

	Group and Company	
	2013	2012
	£000	£000
Opening defined benefit obligation	<b>8,958</b>	8,017
Service cost	<b>14</b>	16
Interest cost	<b>404</b>	433
Actuarial (gains)/losses	<b>(98)</b>	830
Benefits paid	<b>(388)</b>	(341)
Contributions by employees	<b>3</b>	3
Closing defined benefit obligation	<b>8,893</b>	8,958

# Notes

## 24. PENSION SCHEME (continued)

### Fair value of scheme assets

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

	Group and Company	
	2013	2012
	£000	£000
Opening fair value of scheme assets	7,912	7,839
Expected return	444	546
Actuarial gains/(losses)	599	(525)
Contributions by employer	403	390
Contributions by employees	3	3
Benefits paid	(388)	(341)
Closing fair value of scheme assets	<u>8,973</u>	<u>7,912</u>

### Expense recognised in the Income Statement

	Group and Company	
	2013	2012
	£000	£000
Current service costs	14	16
Interest on obligation	404	433
Expected return on scheme assets	(444)	(546)
	<u>(26)</u>	<u>(97)</u>

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

	Group and Company	
	2013	2012
	£000	£000
Cost of sales	14	16
Administrative expenses	(40)	(113)
	<u>(26)</u>	<u>(97)</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 £2,375,000 (2012: £3,072,000).

### Scheme assets and returns

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

	Group and Company			
	2013		2012	
Fair value of assets	Long Term Rate of Return	£000	Long Term Rate of Return	£000
Equities		5,573		5,419
Bonds and other		3,400		2,493
	6.3%	<u>8,973</u>	5.6%	<u>7,912</u>
<b>Returns</b>				
Actual return on scheme assets		<u>1,043</u>		<u>21</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 overall expected return on assets assumption of 6.30% as at 31 March 2013 has been derived by calculating the weighted average of the expected rate of each asset class. The following approach has been used to determine the expected rate of return of each asset class.

- Fixed interest securities – current market yields.
- Equities – FTSE All-share net dividend yield plus RPI inflation plus dividend yield of 1% per annum net of expenses.

# 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	
	2013	2012
Inflation	<b>3.4%</b>	3.1%
Discount rate at 31 March	<b>4.1%</b>	4.6%
Expected future salary increases	<b>3.4%</b>	3.1%
Expected future pension increases	<b>3.3%</b>	3.1%
Revaluation of deferred pensions	<b>2.4%</b>	2.2%

Mortality rate assumptions adopted at 31 March 2013 imply the following life expectations on retirement at age 65 for:

	2013	2012
	Male currently aged 45	<b>24 years</b>
Female currently aged 45	<b>27 years</b>	29 years
Male currently aged 65	<b>22 years</b>	24 years
Female currently aged 65	<b>25 years</b>	26 years

### History of scheme

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

	Group and Company				
	2013	2012	2011	2010	2009
	<b>£000</b>	£000	£000	£000	£000
Present value of defined benefit obligation	<b>(8,893)</b>	(8,958)	(8,017)	(8,309)	(10,302)
Fair value of plan assets	<b>8,973</b>	7,912	7,839	7,182	7,108
Present value of net obligations	<b>80</b>	(1,046)	(178)	(1,127)	(3,194)

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

	Group and Company				
	2013	2012	2011	2010	2009
Difference between expected and actual return on scheme assets:					
Amount (£000)	<b>599</b>	(525)	56	1,819	(2,232)
Percentage of scheme assets	<b>6.7%</b>	(6.6%)	0.7%	25.3%	(31.4%)
Experience gains and losses arising on the scheme liabilities:					
Amount (£000)	<b>350</b>	(76)	-	542	57
Percentage of present value of scheme liabilities	<b>3.9%</b>	(0.8%)	0.0%	6.5%	0.6%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:					
Amount (£000)	<b>(252)</b>	(754)	470	(1,635)	293
Percentage of present value of scheme liabilities	<b>(2.8%)</b>	(8.4%)	5.9%	(19.7%)	2.8%
Total amount recognised in statement of comprehensive income:					
Amount (£000)	<b>697</b>	(1,355)	526	726	(1,882)
Percentage of present value of scheme liabilities	<b>7.8%</b>	(15.1%)	6.6%	8.8%	(18.3%)

The Group expects to contribute £393,000 to its defined benefit plan in 2013/14.

### 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 £560,000 (2012: 531,000) in the year.



# Notes

## 25. BUSINESS COMBINATIONS

The Group acquired the following businesses from 1 April 2011 to 31 March 2013:

Name of acquisition	Date of acquisition	Type of acquisition	Acquired by
Plant rental business activity from Balfour Beatty	29 June 2012	Business and assets	Vp plc
Survey, safety and communication rental business activity from Balfour Beatty	6 July 2012	Business and assets	Hire Station Limited

Details of the acquisitions are provided below:

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Property, plant and equipment	2,798	-	1,284	-
Current assets	57	-	57	-
Net debt	-	-	-	-
Tax, trade and other payables	-	-	-	-
Deferred tax	-	-	-	-
<b>Book value of assets acquired</b>	<b>2,855</b>	-	<b>1,341</b>	-
<b>Fair value adjustments</b>				
Intangibles on acquisition	1,262	-	394	-
Deferred tax on intangibles	-	-	-	-
<b>Fair value of assets acquired</b>	<b>4,117</b>	-	<b>1,735</b>	-
Goodwill on acquisition	-	-	-	-
<b>Cost of acquisitions</b>	<b>4,117</b>	-	<b>1,735</b>	-
<b>Satisfied by</b>				
Consideration	4,117	-	1,735	-
<b>Analysis of cash flow for acquisitions</b>				
Consideration	4,117	-	1,735	-

Intangibles were identified in relation to the acquisitions in the year ended 31 March 2013 where the supply agreements provided access to new markets or territories or provide further leverage for the acquiring businesses. Supply agreements related intangibles are being amortised over the period of the supply agreement, in this case three years, which is considered to be the period over which the majority of the benefits are expected to arise. The acquisition costs expensed in the year ended 31 March 2013 were £44,000.

As the acquisitions from Balfour Beatty were not material, the trading performances have 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 2012, has not been provided.

# Notes

## 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 19 to 22 and in note 5 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, Group Properties and Shared Service Centre)
- 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 2013 totalled £41,583,000 (2012: £38,796,000). Amounts owed to subsidiary undertakings by the Company at 31 March 2013 totalled £26,904,000 (2012: £21,773,000).

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 2013 was £54.0m (2012: £46.0m).

## 27. CONTINGENT LIABILITIES

There are no contingent liabilities (2012: 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.

## 29. SUBSIDIARY UNDERTAKINGS

The investments in trading subsidiary undertakings are:

	<b>Country of Registration or Incorporation</b>	<b>Principal Activity</b>	<b>Country of Principal Operation</b>	<b>Class and Percentage of Shares Held</b>
Torrent Trackside Limited	England	Rail equipment hire	UK	Ordinary shares 100%
Hire Station Limited	England	Tool hire	UK	Ordinary shares 100%
TPA Portable Roadways Limited	England	Hire of portable roadways	UK	Ordinary shares 100%
Airpac Bukom Oilfield Services Pte Limited	Singapore	Oilfield services	Singapore	Ordinary shares 100%
Airpac Bukom Oilfield Services (Curacao) NVA	Curacao	Oilfield services	Curacao	Ordinary shares 100%
Airpac Bukom Oilfield Services Middle East FZE	Sharjah	Oilfield services	Sharjah	Ordinary shares 100%
Airpac Bukom Oilfield Services (Australia) Pty Limited	Australia	Oilfield services	Australia	Ordinary shares 100%
Vp GmbH	Germany	Equipment hire	Germany	Ordinary shares 100%
Vp Equipment Rental (Ireland) Limited	Ireland	Equipment hire	Ireland	Ordinary shares 100%

# Notes

## 29. SUBSIDIARY UNDERTAKINGS (continued)

The full list of the dormant subsidiary undertakings is:

	<b>Country of Registration or Incorporation</b>	<b>Principal Activity</b>	<b>Country of Principal Operation</b>	<b>Class and Percentage of Shares Held</b>
Stoppers Specialists Limited	England	Dormant	n/a	Ordinary shares 100%
Trench Shore Limited	England	Dormant	n/a	Ordinary shares 100%
UK Training Limited	England	Dormant	n/a	Ordinary shares 100%
Vibroplant Investments Limited	England	Dormant	n/a	Ordinary shares 100%
Bukom General Oilfield Services Limited	England	Dormant	n/a	Ordinary shares 100%
Redding Hire Limited	England	Dormant	n/a	Ordinary shares 100%
Climate Hire & Sales Limited	England	Dormant	n/a	Ordinary shares 100%
Fred Pilkington & Son Limited	England	Dormant	n/a	Ordinary shares 100%
Vacuum Excavation Limited	England	Dormant	n/a	Ordinary shares 100%
Domindo Tool Hire Limited	England	Dormant	n/a	Ordinary shares 100%
Instant Tool Hire Limited	England	Dormant	n/a	Ordinary shares 100%
The Handi Hire Group Limited	England	Dormant	n/a	Ordinary shares 100%
Halls Hire Centres Limited	England	Dormant	n/a	Ordinary shares 100%
L&P 52 Limited	England	Dormant	n/a	Ordinary shares 100%
Northern Site Supplies Limited	England	Dormant	n/a	Ordinary shares 100%
Power Tool Supplies Limited	England	Dormant	n/a	Ordinary shares 100%
Hire & Sales (Canterbury) Limited	England	Dormant	n/a	Ordinary shares 100%
Handy Tool Hire (Derby) Limited	England	Dormant	n/a	Ordinary shares 100%
Handy Tool Hire (Nottingham) Limited	England	Dormant	n/a	Ordinary shares 100%
Handy Tool Hire (Loughborough) Limited	England	Dormant	n/a	Ordinary shares 100%
Cool Customers Limited	England	Dormant	n/a	Ordinary shares 100%
Arcotherm (GB) Limited	England	Dormant	n/a	Ordinary shares 100%
Vibroplant Trustees Limited	England	Dormant	n/a	Ordinary shares 100%
Vibrobet Limited	England	Dormant	n/a	Ordinary shares 90%
UM (Holdings) Limited	England	Dormant	n/a	Ordinary shares 100%
Harbray (Plant Hire) Limited	England	Dormant	n/a	Ordinary shares 100%
Power Rental Services Limited	England	Dormant	n/a	Ordinary shares 100%
Rapid Response Barriers Limited	England	Dormant	n/a	Ordinary shares 100%
U Mole Limited	England	Dormant	n/a	Ordinary shares 100%
727 Plant Limited	England	Dormant	n/a	Ordinary shares 100%
Cannon Tool Hire Limited	England	Dormant	n/a	Ordinary shares 100%
Thanet (Hire) Plant Limited	England	Dormant	n/a	Ordinary shares 100%
The Hire Brigade Limited	England	Dormant	n/a	Ordinary shares 100%
MEP Hire Limited	Scotland	Dormant	n/a	Ordinary shares 100%
Able Safety (Yorkshire) Limited	England	Dormant	n/a	Ordinary shares 100%
Arcotherm (UK) Limited	England	Dormant	n/a	Ordinary shares 100%
Saville Hire Limited	England	Dormant	n/a	Ordinary shares 100%
Vibroplant Limited	England	Dormant	n/a	Ordinary shares 100%
Mechanical Electrical Press Fittings Limited	Scotland	Dormant	n/a	Ordinary shares 100%
Arco'therm Limited	England	Dormant	n/a	Ordinary shares 100%

# Five Year Summary

	2009 (Restated) £000	2010 (Restated) £000	2011 (Restated) £000	2012 (Restated) £000	<b>2013</b> <b>£000</b>
Revenue	<u>150,945</u>	<u>129,487</u>	<u>138,052</u>	<u>161,514</u>	<b><u>167,034</u></b>
Operating profit before amortisation	<u>25,431</u>	<u>18,610</u>	<u>16,472</u>	<u>18,500</u>	<b><u>19,815</u></b>
Profit before amortisation and taxation	<u>21,744</u>	<u>16,005</u>	<u>13,785</u>	<u>15,961</u>	<b><u>17,351</u></b>
Profit before taxation	20,835	14,339	12,234	15,328	<b>16,402</b>
Taxation	(5,701)	(4,094)	(2,451)	(3,101)	<b>(3,353)</b>
Profit after taxation	<u>15,134</u>	<u>10,245</u>	<u>9,783</u>	<u>12,227</u>	<b><u>13,049</u></b>
Dividends*	<u>(4,505)</u>	<u>(4,510)</u>	<u>(4,509)</u>	<u>(4,457)</u>	<b><u>(4,437)</u></b>
Share capital	2,309	2,309	2,309	2,309	<b>2,008</b>
Capital redemption reserve	-	-	-	-	<b>301</b>
Reserves	74,843	81,851	89,192	88,725	<b>98,586</b>
Total equity before non-controlling interest	<u>77,152</u>	<u>84,160</u>	<u>91,501</u>	<u>91,034</u>	<b><u>100,895</u></b>
<b>Share Statistics</b>					
Asset value	<u>167p</u>	<u>182p</u>	<u>198p</u>	<u>197p</u>	<b><u>251p</u></b>
Earnings (pre amortisation)	<u>37.99p</u>	<u>27.57p</u>	<u>26.09p</u>	<u>30.76p</u>	<b><u>35.47p</u></b>
Dividend**	<u>10.80p</u>	<u>10.80p</u>	<u>10.80p</u>	<u>11.35p</u>	<b><u>12.25p</u></b>
Times covered (pre amortisation)	<u>3.52</u>	<u>2.55</u>	<u>2.42</u>	<u>2.71</u>	<b><u>2.90</u></b>

The restatements relate purely to revenue and have not affected reported profit, This is explained in note 1.

\* 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.