# Annual Report and Accounts 2021

vpplc.com

The Equipment Rental Specialists

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## Strategic Report



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# About Us

Vp is an international rental business providing specialist products and services.

Our objective is to deliver longer term, quality returns to our shareholders by providing products and services to a diverse range of end markets including infrastructure, construction, housebuilding and oil and gas, both in UK and international markets, whilst embracing our increasingly important responsibility in environmental, social and governance matters as impacted by our business.

# Our Business Model and Strategy

Our aim is to create long term value

### Resilient and proven model

- market leading positions in niche sectors
- diverse markets in UK and International
- take long term view

**KPIs**

- PBTA
- revenue growth
- margins

### First class asset management

- buy quality products at competitive prices
- maintain assets through rental life cycles
- use strong balance sheet and cash generation for fleet growth and acquisitions

**KPIs**

- ROACE
- EBITDA gearing
- net debt
- fleet spend

### Specialist rental

- embrace change and innovate
- provider of choice
- continue to exceed customer expectations
- value added service proposition

**KPIs**

- PBTA
- revenue growth
- margins

### Building on core attributes

- retain and attract the best people
- safe and sustainable business
- product service reliability and operational excellence

**KPIs**

- annualised employee turnover*
- reportable accidents*

### Sustainability focus

- defined strategy
- reduce emissions and waste
- innovate with green products

**KPIs**

- emissions
- waste
- supply chain
- fleet

*shown in Responsible Business Report

# Diverse Range of End Markets

INFRASTRUCTURE

CONSTRUCTION

HOUSEBUILD

ENERGY

# Group Businesses


## UK Forks
Materials Handling Specialists

UK Forks is one of the UK's leading specialist hirers of telescopic handlers and tracked access platforms. The products and services are utilised by its customers to improve safety and productivity on construction and housebuilding sites across the UK.


## Brandon Hire Station
The UK's Tool and Equipment Hire Specialist

Brandon Hire Station is the leading provider of tools and specialist rental products to industry, construction and home owners across the UK.

## ESS
Safety, Survey, Test & Measurement

ESS is the leading specialist provider of safety, survey, communications and test & measurement equipment rental in the UK.

## Groundforce
Specialist Construction Solutions

Groundforce is a market leading rental and design provider of excavation support systems and specialist products to the water, civil engineering and construction industries with operations in the UK, the Republic of Ireland and mainland Europe.


## TPA
Portable Roadways

TPA Portable Roadways is one of Europe's largest suppliers of temporary access solutions. Operating from bases in the UK and Germany, TPA provides portable roadways and temporary access solutions to customers in the transmission, construction, rail and outdoor events markets.

# Group Businesses



## MEP Hire

Mechanical, Electrical & Low Level Access Specialists

MEP Hire is the UK's largest provider of mechanical and electrical press fittings and low level access platforms to the construction, fit out, mechanical and electrical markets.

## 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, maintenance and project contractors.


## Airpac Bukom

Oilfield Services

Airpac Bukom Oilfield Services is an international business supporting a wide range of oil and gas markets, servicing well test, pipeline testing, rig maintenance and LNG markets worldwide.


## TR Group

TR is Australasia's leading technical equipment rental group providing test and measurement, communications, calibration and audio visual solutions in Australia, New Zealand and South East Asia.

## Group geographies

UK

EUROPE

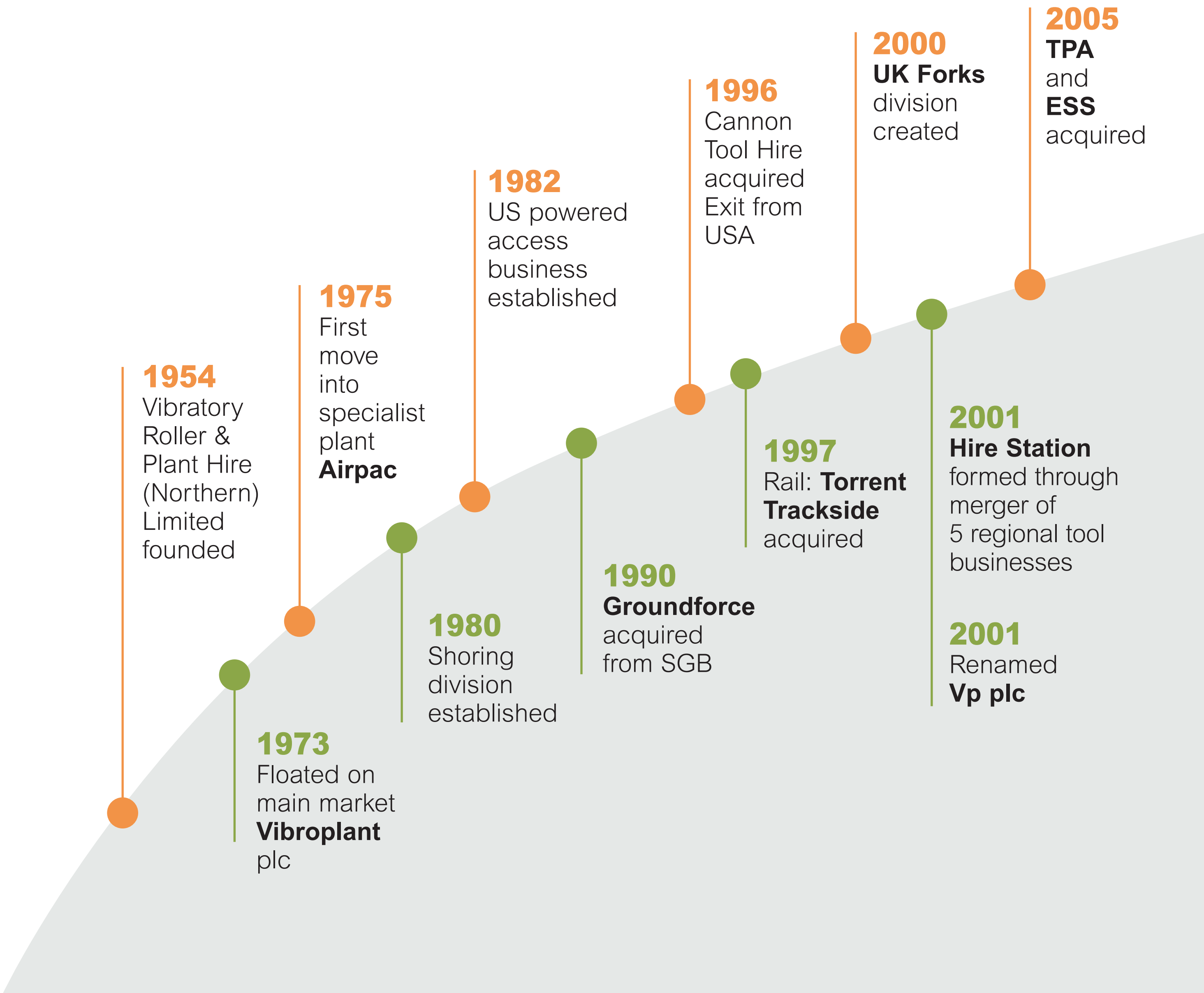
ASIA PACIFIC

# Long Term Success

Vp plc has a long and distinguished history as a major rental business. Founded in 1954, the Company floated on the UK Stock Market in 1973 as Vibroplant plc.

In 2000, the Company exited its then core general plant hire business to focus on higher return, value added, specialist rental activities and subsequently changed its name to Vp plc.

The Group has since developed a wide range of sector leading, specialist rental businesses serving a diverse range of end markets in both UK and International markets.



**2006**
Acquisition of Bukom Oilfield Services (Airpac Bukom formed)

**2007**
**MEP** acquired

**2010**
Geographical expansion: Global (Airpac Bukom) Eire (Groundforce) Germany (TPA)

**2014**
Vp celebrates 60 years

**2015**
Acquisition of Test & Measurement

**2016**
Acquisitions of Higher Access and **TR Pty** (Australia)

**2017**
Acquisition of **Brandon Hire**

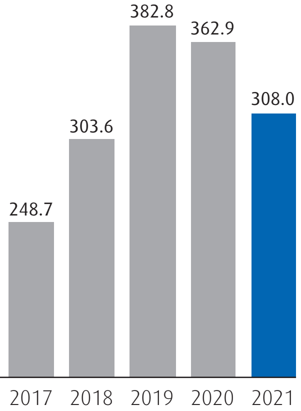
**2019**
Acquisition of Sandhurst

| Revenue History | *1970:* | *1980:* | *1990:* | *2000:* | *2010:* | *2015:* | *2016:* | *2017:* | *2018:* | *2019:* | *2020:* | *2021:* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £2m | £14m | £70m | £55m | £129m | £206m | £209m | £249m | £304m | £383m | £363m | £308m |

# **Financial Highlights** - impacted by Covid-19

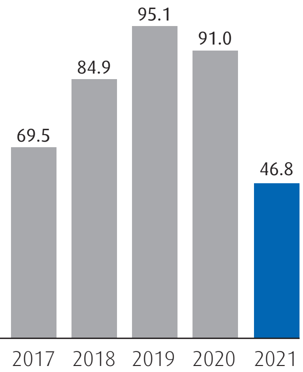
**GROUP REVENUE**

£308.0m



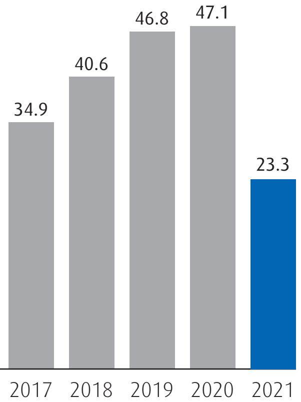

**BASIC EARNINGS PER SHARE[1]**

46.8p



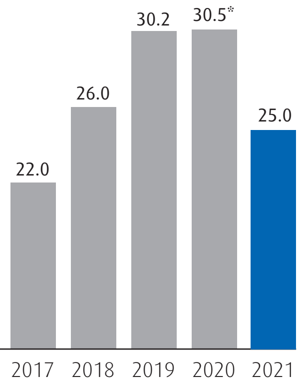

**PROFIT BEFORE TAX[1]**

£23.3m



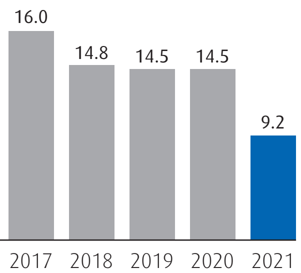

**DIVIDENDS PER SHARE**

*Decision on final dividend for 2020 delayed due to Covid-19, 22.0p special dividend paid in Jan 2021 in respect of 2020



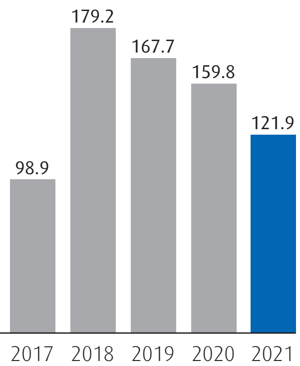

**RETURN ON AVERAGE CAPITAL EMPLOYED[1]**

9.2%




**NET DEBT**

£121.9m



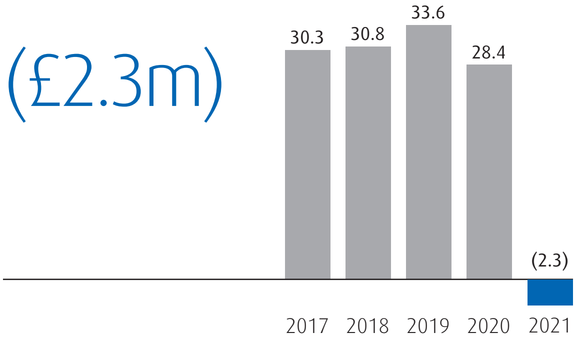

**Notes on alternative performance measures:**

**1**
- All performance measures stated as before amortisation are also before impairment of intangibles, exceptional items and IFRS 16.
- Basic earnings per share pre amortisation and exceptional items is reconciled to basic earnings per share in note 22.
- Profit before tax, amortisation and exceptional items is reconciled to profit before tax in the Income Statement.
- EBITDA is reconciled to profit before tax, amortisation and exceptional items by adding back net financial expenses and depreciation.
- Return on average capital employed is based on profit before tax, interest, amortisation and exceptional items divided by average capital employed on a monthly basis using the management accounts. Profit before tax, interest, amortisation and exceptional items is reconciled to profit before interest and tax in the Income Statement.

# Financial Highlights

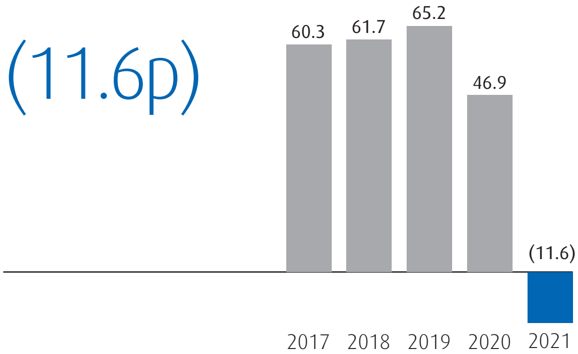
STATUTORY (LOSS)/PROFIT BEFORE TAX

(£2.3m)




STATUTORY BASIC EARNINGS/(LOSS) PER SHARE

(11.6p)




*Impact on Consolidated Income Statement, EBITDA and earnings per share*

The financial impact of IFRS 16 on the Group's consolidated income statement and EBITDA for the year ended 31 March 2021 is set out below:

| | EXCLUDING IFRS 16 | IFRS 16 IMPACT | REPORTED |
|---|---|---|---|
| | £000 | £000 | **£000** |
| Operating profit before amortisation and exceptional items | 27,721 | 3,207 | **30,928** |
| Operating profit | 2,476 | 3,207 | **5,683** |
| EBITDA | 72,701 | 23,959 | **96,660** |
| Net financial expense before exceptional items | (4,448) | (3,304) | **(7,752)** |
| Profit before taxation, amortisation and exceptional items | 23,273 | (97) | **23,176** |
| Loss before taxation | (2,172) | (97) | **(2,269)** |

# Chairman's Statement

Chairman: Jeremy Pilkington

## I am very pleased to report on what we consider an extremely satisfactory outcome for the year to 31 March 2021 given the unique challenges that the business has faced this year.

**The majority of our revenue decline was suffered in March and April 2020 as Covid lockdowns impacted most heavily and immediately. Thereafter, revenues have progressively recovered across our businesses although varying in pace and extent. We have exited the financial year with revenue run rate at 95% of prior year, an exceptionally strong recovery of which we had no expectation at the beginning of the pandemic.**

Profit before tax, amortisation and exceptional items was £23.3 million (2020: £47.1 million) on revenues down by 15% to £308.0 million (2020: £362.9 million). EBITDA was £72.7 million (2020: £98.1 million). A relentless focus on cash management helped to reduce year end debt by £37.9 million to £121.9 million (2020: £159.8 million) whilst at the same time enabling us to support specific high return on capital investment opportunities to the extent of £40.2 million (2020: £49.1 million).

Return on average capital employed slipped to 9.2% (2020: 14.5%) and earnings per share largely tracked reduced profitability to 46.8 pence per share (2020: 91.0 pence per share).

As we announced at the time of our Interim results, the Board wished to have better visibility for the out turn for the year as a whole before declaring a dividend. We are now reporting results beyond the upper end of our original expectations and therefore the Board will be recommending the payment of a final dividend of 25.0 pence per share (2020: Special Dividend 22.0 pence per share). Subject to shareholders approval at the Annual General Meeting to be held on 22nd July 2021, it is proposed to pay the final dividend on 5 August 2021 to members registered at 25 June 2021. Historically our dividend policy has sought to maintain dividends over the economic cycle having due regard to future prospects as well as immediate performance and we have been guided by a dividend cover ratio in the range of 2.5 to 3 times net earnings. We have more recently operated outside of the upper limit of this range. Going forward, we intend to more fully distribute earnings and operate more towards the lower end of that range.

We did initially participate in the Government's job retention scheme but all use of furlough support was ended in October. At no time did the company access Government support loans or seek funding from shareholders. Throughout the period the Company operated within its existing banking covenants although we did secure a precautionary, temporary easing of these measures, which ultimately were neither required nor utilised.

As has already been announced, after an investigation lasting almost 4 years, the Competition and Markets Authority ("CMA") announced that there had been a breach of competition law by three major suppliers of groundworks products for hire in the UK, including the Group's excavations support business, Groundforce Shorco. The CMA imposed a penalty of £11.2 million on the Company. We fundamentally disagree with the conclusions of the CMA but the Board reluctantly decided that it was not in the best interests of the business to contest this finding given the uncertainty of the process, the costs and the continued distraction that it would represent to senior management. Vp has always prided itself on a corporate ethic of fairness, integrity and respect. We believe that our behaviour continues to exemplify these values irrespective of the CMA's findings.

Vp has always placed itself at the forefront of innovation and I am very pleased to highlight the many initiatives that are taking place throughout the business. Reduction of our carbon footprint, addressing broader areas of environmental performance and the application of information technology to enhance the customer experience are just some of the programmes described in more detail in the Business Review.

As we hopefully return to more normal trading conditions, uninhibited by Government restrictions, we feel the market backdrop for Vp is very positive. Particularly in the UK, major infrastructure and levelling up projects provide significant upside growth opportunities for the Group over the immediate and longer term. Internationally the prospects for our energy business look better now than they have for some time and the TR business appears set to benefit from effective local pandemic responses. Extended supply chains and shortages of certain construction materials provide some challenges in the short term and against which we have taken mitigation measures wherever possible.

I would like to extend a special thanks to all our employees at this time as they have responded to these unprecedented challenges with a courage and energy that has been remarkable to witness.

**Jeremy Pilkington**
**Chairman**
**8 June 2021**

# Business Review

## Overview

Vp plc is a rental business providing specialist products and services to a diverse range of end markets including infrastructure, construction, housebuilding, and energy. The Group comprises a UK and an International Division.

*Chief Executive: Neil Stothard*

| | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| Revenue | £308.0 million | £362.9 million |
| Operating profit before amortisation and exceptionals | £27.7 million | £51.9 million |
| Operating margin | 9.0% | 14.3% |
| Investment in rental fleet | £40.2 million | £49.1 million |
| Return on average capital employed | 9.2% | 14.5% |
| Statutory operating profit | £5.7 million | £37.2 million |

**The year to 31 March 2021 was an extremely challenging trading period for the Group against a backdrop of a global pandemic and the inevitable impact on economic conditions.**

Whilst Group operating profits before amortisation and exceptional items were significantly reduced at £27.7 million compared with prior year of £51.9 million this represented an excellent recovery from the business after an extremely difficult first quarter trading impacted by national shutdowns. Operating margins decreased to 9.0% (2020: 14.3%) with Group revenues at £308.0 million (2020: £362.9 million) 15% down on prior year. Return on average capital employed inevitably reduced to 9.2% from prior year of 14.5%. Whilst this is below our average ROACE for the last five financial years of 15.2%, we remain confident of restoring this important measure towards historic levels as markets recover and we maintain our investment disciplines with the deployment of increased capex.

EBITDA before exceptionals was £72.7 million (2020: £98.1 million) and cash generation from trading remained robust. Net debt at 31 March 2021 was £121.9 million (2020: £159.8 million), a significant reduction of £37.9 million in the period, clearly demonstrating the Group's ability to pay down debt even in the most testing of circumstances.

With activity subdued during the year, the investment in rental fleet was tailored accordingly with a reduced gross capital expenditure of £40.2 million, (2020: £49.1 million). Fleet disposal proceeds were £17.5 million (2020: £21.4 million) generating profit on disposals of £4.3 million (2020: £8.9 million). We have recently seen supply chain lead times extend significantly and we have committed new capex during March 2021 to mitigate potential short falls in products later in the year.

To deliver a PBTA of £23.3 million is a tremendous achievement and this underlines the quality of the business streams that we have in Vp and the confidence derived from our success over the long term. Our specialist divisions within the UK, Europe and other International regions provide a level of diversity of risks which, even against a poor market backdrop, demonstrate the resilient characteristics of our business model.

With the rapid onset of Covid-19 in March 2020, most Group activities were severely impacted by lockdowns and in the final two weeks of March 2020 we saw demand for our products and services drop significantly as customers closed down sites.

In response to the severe downturn in activity early in the year, we had to take significant steps to de-risk the business by reducing costs. As the year progressed many mothballed locations were re-opened and furloughed employees returned to work. We controlled this process so as to align with the return to work of our customers. We closed or merged 25 business locations and also secured material cost reductions in other areas of expenditure such as the commercial vehicle fleet. Overall the average headcount in the Group reduced by 279 (9%), of which 187 were in operational roles and 86 in administration and included 160 redundancies. Sales resources were largely unaltered and available to our customers throughout the year.

The Covid-19 pandemic brought out the very best in the business against the severest of backdrops.

Whilst carefully operating defined safe working protocols, our colleagues on the 'front line' delivering and collecting equipment, maintaining fleet or opening branches have done a tremendous job in maintaining the quality of our services to those of our customers who needed it. Equally many colleagues have had to adapt to working remotely and this has proven to be a manageable temporary solution throughout the worst of the pandemic.

# Business Review

## UK Division

Operating profits (before amortisation and exceptionals) in the UK division decreased to £27.2 million compared with £50.2 million prior year. Revenues of £281.3 million (2020: £331.0 million) were 15% down on prior year.

| | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| Revenue | £281.3 million | £331.0 million |
| Operating profit before amortisation and exceptionals | £27.2 million | £50.2 million |
| Investment in rental fleet | £35.6 million | £41.0 million |

**The UK division, comprises seven main business units: UK Forks, Groundforce, TPA, Brandon Hire Station, ESS, MEP Hire and Torrent Trackside. Whilst mainly operating in the UK, TPA and Groundforce also have operations in mainland Europe, primarily in Germany and Austria. All the UK divisions support the three core sectors of infrastructure, construction and housebuilding.**

The following section comments on the highlights and key actions for the constituent businesses within the UK division during the year:

The **UK Forks** materials handling business had a satisfactory year, recovering well from a difficult first few months once housebuilding re-opened during May 2020. All depots remained operational throughout the pandemic. A customer first approach has been key, with all account managers remaining available to customers throughout the year, and as a result, customer retention has remained extremely high. A number of major housebuilder agreements were also renewed for the coming year. Whilst capital investment has been reduced, the business has continued to grow the rotational and heavy lift telehandler fleet. Digital enhancements to operational performance includes further upgrades to the JCB Live Link system enabling our customers to receive real time data on fleet usage and help them manage important targets such as fuel consumption and $CO^2$ emissions. A focus on environmental matters has seen UK Forks invest in both battery powered electric teletruks and electric telehandlers. They are new products to the market and key to engagement with our customers in achieving their environmental goals. We have also been trialling the use of hydrogenated vegetable oil (H.V.O) on our existing telehandler fleet which, if proved to be successful, will deliver exceptional carbon foot print reductions. Heading into the new financial year the utilisation of our fleet is very high, and exacerbated by the increased lead times for new product which are causing pinch points on supply. Demand from housebuilding remains strong and general construction continues to improve.

The **Groundforce** excavation support business has seen some recovery in civil engineering work but there is still more to come. The water industry investment programme (AMP 7) was in its first year of five and, impacted by Covid-19, was slower than normal to transition from the planning to implementation stage. This should start to accelerate in the coming year. In addition, we are also optimistic that other large infrastructure projects like HS2 and the new Thames Crossing will provide further demand for our shoring and associated excavation support products.

Focussed on improving our customer interaction, initiatives embracing our digital strengths include the enhancement of our hire system by the introduction of a mobile, tablet driven solution within both Groundforce and elsewhere across Vp. This provides a mobile system for our operational and commercial teams whilst delivering material benefits to our customers. We have further enhanced the customer experience by the launch of 'Your Solution' which is a self-serve app which allows customers to create simple but safe excavation designs, 24/7, ahead of finalising the detailed solution with our engineering design team, a much more efficient and validated process. An in-house developed pressure testing app 'Pressure Tests +' to support our AMP7 framework customers was also launched in the year. Fleet investment was maintained and this included, new excavator attachment solutions for both the rail and road infrastructure customer base.

In Europe, the Groundforce business suffered from regional Covid-19 driven restrictions. These regional constraints materially impacted the construction sector in Germany, Austria and France. Both core shoring and major project contracts suffered resultant delays. We are however encouraged by progress into the new financial year as both delayed and new projects are starting to come on stream.

## UK Division

The TPA UK business which offers temporary access solutions had an excellent year underpinned by strong demand for portable roadway products. There was rapid growth in activity from contractors working on the HS2 project, both on the enabling and construction phases. This was supplemented by solid demand from the transmission and ground investigation markets, and despite outdoor events being completely closed in the year. TPA also delivers rapid rail access solutions to the rail sector. The transition from CP5 to CP6, the new five year framework in the UK rail market, was slow and further impacted by Covid. TPA's rail activity only started to materially recover in the second half of the year. The strength of demand for roadway product saw the business invest in further rental fleet in support of the core customer base and backed by our positive longer term view of the market.

The aluminium roadway panels have a long lifespan, are manufactured from re-cycled metal, and are 100% recyclable at the end of life, demonstrating a superior environmental solution to that of many composite alternatives. Looking ahead, continuation of the longer term HS2 work, an anticipated uplift of CP6 activities in the rail sector, and the resumption of the outdoor event sector, are all seen as excellent market opportunities for TPA UK.

In **Europe, the TPA** business also traded well with good demand from transmission and construction customers and despite the disruption of the various lockdowns in Germany and Austria. As in the UK, the TPA Europe business has exposure to the outdoor event sector which was also closed during the year. Stable demand from the transmissions market more than compensated for this. We have continued to invest in the roadway fleet, encouraged by the prospect of resilient long term demand from the transmission, renewable energy and gas pipeline sectors all of which are benefitting from government infrastructure investment in Germany and surrounding countries.

**Brandon Hire Station** our tool and equipment hire specialist business, entered the new financial year against a backdrop of a national lockdown and a temporarily closed construction sector. Revenues fell by 50% during April 2020 compared to the prior month and as previously reported, over 100 locations were mothballed and large numbers of employees furloughed. Despite this, 70 locations remained open for business throughout as our activities were classified as essential in support of the health, utility and transport sectors and subsequently the construction sector, as that market also re-opened. The sales team was retained in full throughout the year and, as elsewhere in the Group, this enabled us to maintain relationships with our customers, which was invaluable to them particularly in those difficult early months. The business has subsequently merged sixteen, and closed nine branch locations to maintain an efficient, but still comprehensive, national tool hire network. Our national business offers local service to a broad customer base and focuses on availability and quality. Despite the myriad of challenges and changes over the last twelve months, keeping it simple has been the guiding mantra and we expect this to pay dividends as the market picks up.

Brandon Hire Station has developed its digital approach over recent years aiming to leverage the associated benefits of a more efficiently run business together with a transactional relationship which offers customers market leading quality management information. All fleet assets at branches are bar coded and scanned in and out to customers, and transactions are paperless. All deliveries are managed by our drivers using tablet based mobile technology and we are able to keep our customers up to date via text at each stage of the transaction.

We expect to deliver the majority of our orders within a two to three hour window and this quality of service can only be achieved by having industry leading availability of tool hire fleet. Our IT system assimilates both historic and current rental data to help us establish minimum stock holding levels on the top 350 lines at all branches. This system has been in place for a number of years and it is designed to make it possible for us to say 'Yes' whenever a customer requests a product.

Our National Customer Service Centre in Manchester handles a third of all tool hire orders, processing over 18,000 transactions per month. The installation of Omni channel software has boosted productivity and upgraded our response to customers whether via web, email, phone, SMS, live chat or social media. A new progressive app will be launched to customers early in the new financial year allowing customers to self-transact in a seamless manner. We believe this will be transformational for our already strong SME customer base. A key positive from the pandemic was the emergence of a revitalised DIY sector. Online revenues more than trebled compared with prior year and we estimate Brandon Hire Station now captures c. 15% of all online tool hire transactions in the UK via its website, a share that is continuing to grow.

Brandon Hire Station also completed a successful first year supporting the new, minimum six year duration, Network Rail contract and this will be the eleventh year of managing and supplying Network Rail's small tool requirements. Infrastructure projects on the rail network continued throughout the pandemic. The business also provided regular essential support to certain NHS departments during the year and continues to do so.

Brandon Hire Station is targeting further investment in eco-friendly equipment to add to the rental fleet and the move away from diesel powered, to electric and solar powered products is well underway. The portable toilets offer is being rolled out nationally and investment has been committed to deliver on that plan. The Brandon Hire Station partnered services business has seen a rapid acceleration in revenues over the last 12 months. This activity acts as a transaction vehicle for all Vp products, alongside over 20 other key product suppliers from outside of the Vp group. This offer is

## UK Division

aimed at those specific customers who require a single transactional source for all their rental requirements.

Looking forward, the Brandon Hire Station business, with a genuine national footprint of 160 locations, is an attractive local tool hire source and in some cases, the only national tool hirer in town, whilst also offering the largest tool hire network of branches in the UK. It operates the largest owned tool hire fleet, and the largest delivery fleet, providing support to those larger customers who require a consistent and reliable national service. We are confident that an already successful combination of availability and reliability together with the most experienced rental staff in the industry will deliver further success for Brandon Hire Station this year.

**ESS** remains the market leading safety and survey rental business in the UK and whilst inevitably impacted by Covid restrictions stayed open for business throughout providing not only vital support throughout the pandemic to key national infrastructure organisations such as the NHS but also the rail, communications, and utilities sectors. Revenues had reached c.95% of pre-Covid levels by the close of the financial year. Highlights included the award of a three year sole supply agreement of rail and location equipment to Colas Rail, together with the successful delivery of a wide range of services in support of a major shutdown at the Valero oil refinery in Pembrokeshire supplying almost 2500 contractors. ESS also completed a successful withdrawal of its operations in the Netherlands at the end of the financial year enabling the division to concentrate its resources and energies on the significant opportunities available in the UK market. Capital investment was maintained during the year with a particular focus on the survey and test & measurement fleets to meet renewed demand. The division has invested in the operation of hybrid service vehicles in London with a view to significantly reducing vehicle emissions. The plan is to roll this out further across ESS in the future.

**MEP** which supports the mechanical, electrical and plumbing sectors had a very good year in the circumstances. Despite losing a large percentage of monthly revenue in April 2020, the business experienced a resilient and quick recovery and, by the end of the financial year was operating ahead of prior year levels. Like many Vp businesses, MEP maintained accessibility for its customer base throughout 2020, with all branches bar one staying open and the sales team largely operating as normal. This has undoubtedly further reinforced MEP's already strong customer relationships as we were able to deliver when it mattered most. MEP's success was driven by a combination of a general recovery and specific, targeted activity in the major conurbations outside of London. Initially the London region was slower to recover but this has accelerated in recent months as the city has re-opened. This should provide added impetus for the new financial year, further helped by a recent success to secure a major two year plus presence at one of London's largest new office constructions. Investment continues to grow and a number of exclusive innovative products have been added to the fleet. Like UK Forks, MEP is trialling HVO fuels but this time in the service and delivery vehicles. It is targeting emission reductions of c. 90% from this source. MEP will further enhance its branch network in the current year with relocation to an impressive new location at Trafford Park improving their capacity to service the growing North West market.

**Torrent Trackside** which provides specialist plant to the rail sector, was open throughout the pandemic as the UK Rail industry made an early call to maintain essential maintenance activity. Whilst some projects were delayed, operational activity levels at Torrent were similar to the prior year. Like Brandon Hire Station, Torrent had a very successful first year of their new long term contract in support of Network Rail.

Torrent is using Vp's M42 mobile IT system to enhance operational efficiency and at the same time eliminate paperwork. Torrent now provides a 100% digital service platform from placing the initial enquiry, to delivery, collection and final invoicing.

Torrent has also made large strides in reducing fossil fuel usage and successfully trialled a "site of the future" concept, showcasing our significant investment in battery powered rail specific plant, which operates at lower noise levels and is effectively carbon neutral. This concept was well received by our rail customer base, including Network Rail, who see us as a pivotal supply chain partner to help drive their own carbon reduction targets over the next five years.

Despite CP6 being slow to develop, as the year progressed the rail market became busier. We anticipate that some of the delayed major rail projects will go live early in the new financial year. These include the Trans Pennine upgrade programme and the TfW Core Valleys Lines upgrade, both of which have appointed Torrent as a key supply chain partner. HS2 activity, for Torrent, is likely to pick up in to 2022 when the construction phase has become more mature. Torrent is however very well placed to support that work when it comes on stream. Torrent also secured a major five year supply contract with Balfour Beatty Rail supporting them on a number of key rail projects including the Core Valleys Line extension referred to above. The latter contract will be serviced by our recently opened depot facility in South Wales. Investment in the Torrent fleet has been maintained and more than 60% of the capex spend is expected to be in substitutional, battery and solar powered, products as we further enhance the environmental credentials of our rail offer.

# Business Review

## International Division

The International division reported operating profits before amortisation and exceptionals of £0.6 million, on revenues 16% reduced on prior year of £26.7 million (2021: £31.9 million).

| | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| Revenue | £26.7 million | £31.9 million |
| Operating profit before amortisation and exceptionals | £0.6 million | £1.7 million |
| Investment in rental fleet | £4.6 million | £8.1 million |

**The International division comprises Airpac Bukom, a global supplier to the energy sector and TR Group which operates in Australia, New Zealand, Malaysia and Singapore and is a leading technical equipment rental group. The following section comments on the highlights and key actions for the two main business groupings within the International division during the year.**

**Airpac Bukom** which provides equipment and services to the international energy sector, encountered difficult trading conditions in the year. A combination of cancelled or postponed projects and a restricted ability for labour to cross many international borders impacted revenue levels. Pre-Covid, the business was anticipating a pick-up in activity and had secured a number of new longer term contracts most of which however, fell foul of Covid-19 delays or cancellation. Activity levels in our three main geographical areas of operation, these being Europe, Australia and Asia, were somewhat mixed. In Europe maintenance and well testing was very subdued, but the markets are pleasingly now starting to pick up into the new financial year. In Australia all major shutdown activities were postponed but we are increasingly confident of a resumption of shutdown work there, as we are in Europe. Asia held up relatively well with good activity in both drilling contracts and well test.

Despite a difficult trading year we have identified future opportunities and have invested further in the rental fleet with additional high pressure compressor/ booster products. We have also added more environmentally friendly electric compressors to the fleet during the year.

**TR Group**, Australasia's leading technical equipment rental group also experienced a challenging trading year across all its geographies. All constituent businesses were impacted to some extent, as borders were closed and lockdowns of varying lengths imposed. Despite this, the business continued to operate, initially supporting sectors deemed to be essential, but then more broadly as conditions improved, particularly in Australia and New Zealand. The TR Group offers instrumentation solutions and communication products to a wide range of markets including construction, mining and infrastructure. These sectors remained open. Revenues recovered slowly and as we moved into 2021, were approaching pre-pandemic levels. In New Zealand, the Vidcom business, which provides audio visual rental solutions, was severely hit by the closure of large elements of the conference and hospitality sector, Vidcom's main market. In response the business was restructured in to a new operating model. Physical attendance at events that did take place was replaced by virtual access. Vidcom further developed their live streaming services to a wide range of customers including the New Zealand government. Other innovations across TR Group include the introduction of mobile calibration vans to TR Calibration enabling instrument calibration services to be provided at remote locations. Environmental initiatives at TR Group include the installation of solar panels at a number of their locations.

Our expectation is that the international markets will, subject to any further Covid setbacks, offer accelerating demand for our services and flourish again as their respective economies recover.

# Business Review

## Employees

As an asset management business we rightly focus on maximising the physical assets in which we invest. However, the most important assets we have are our people and investing in this aspect remains critical to our ongoing and successful development. As highlighted earlier in this review the response of our colleagues to the Covid-19 pandemic has been extremely positive and fundamental to the successful business recovery to date.

We are now in the 12th consecutive year of our engineering apprenticeship programme and this year we are delighted to be offering 41 apprentice roles across our business. We have gradually increased the intake. Since we started the scheme in the last global recession, we have seen 144 apprentice engineers recruited to the programme. In 2021 we intend to expand our apprentice training further with the launch of a sales programme targeting a formal accreditation for both new and existing sales people within the business. We are also recruiting four more graduates to our well established Vp Graduate Scheme.

# Outlook

Across Vp, we are now firmly looking forwards rather than backwards after the most testing year for everyone across the business. We finished the prior year well and I am pleased to confirm that we have maintained this into April and May of the new financial year which has started strongly for us.

The market backdrop for Vp is positive. Major infrastructure sectors, such as water, rail and transmission are primed for escalating growth in the coming year, added to which other major projects such as HS2 and Hinkley Point will continue to drive demand. We see the residential construction market continuing to be supportive as housebuilders maintain their build programmes. Whilst the general construction sector has been slightly slower to recover, we are seeing positive signs of a sustained improvement in this key and large market.

We have taken robust action over the last twelve months to streamline our divisional activities where necessary and I am confident that we are well placed to deliver significant progress over the next twelve.

I refer in the overview to our resilient characteristics as a business and how that has contributed to our ability to consistently combat the most challenging of conditions. We have, however, also proven time and again in the past, that if the markets are supportive then those same characteristics can also deliver high quality, market leading earnings, for our shareholders.

Twelve months ago I said that we had entered the pandemic with an excellent business and that as best as we can manage, we planned to exit with an equally excellent business. I believe this plan has been achieved.

As a team we are excited about the prospects for the coming year which we approach with increasing confidence as each day comes.

**Neil Stothard**
**Chief Executive**
**8 June 2021**

# Responsible Business Report

## Overview

**We have a responsible business culture resting upon our principles of fairness, integrity and respect. Our culture is underpinned by our corporate responsibility framework that ensures good governance and influences the way we manage our environmental and social impacts. This framework applies to all elements of our business and incorporates Sustainability, Environmental and Social Governance (ESG) and Corporate Responsibility (CR) – all of which overlap and are complementary.**

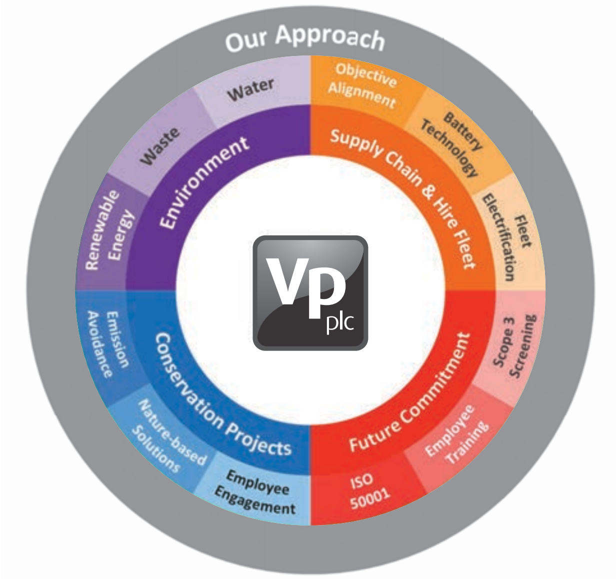
### SUSTAINABILITY STRATEGY AND ACTION PLAN

At Vp we take our responsibilities in sustainability matters very seriously. As part of our evolving focus on these matters we have identified that key themes of our sustainability strategy are Environment, Supply Chain, Hire Fleet and Future Commitment. We have summarised our approach in the graphic and explain these workstreams in more detail below. In addition, to help further mitigate any negative environmental impacts, the Group has begun investing in local community and conservation projects. Details of these investments can be found in section four.

We employ 3,000 people across 10 different countries operating from over 240 sites producing a valued service to thousands of customers across all the markets that we serve. It is our aim that sustainability will be universally addressed across this Vp network and that we will all help to play our part in mitigating climate change and biodiversity loss by minimising our own environmental footprint and striving to do no harm.

Our corporate responsibility framework is focused on 11 of the 17 United Nations Sustainability Development Goals (SDGs). These are 17 aspirational goals defined with the purpose of progressing positive environmental, social and governance change for the world by the year 2030 and a blueprint to achieve a better and more sustainable future for all and address the global challenges we face including poverty, climate change and environmental degradation.

We have reviewed the SDGs and each corresponding target to evaluate where we align most strongly and where we shall strive to improve our contribution going forward. We have used the SDG icons throughout the strategy to indicate where we are making progress towards the achievement of these goals.





SDGs for our customers, investors and supply chain


SDGs for our people


### ENVIRONMENT

Vp seeks to maximise the efficiency of its resources and energy consuming assets. We are committed to continually striving to improve our energy performance by robust management of these matters.

As a Group we seek to adhere to all compliance and legislative best practice including greenhouse gas emissions disclosures, Streamlined Energy and Carbon Reporting and the Energy Savings Opportunity Scheme (ESOS) phase 2 requirements. We have actioned all of the recommendations from our ESOS phase 2 audits.

Each UK Division has achieved the ISO 14001 standard signifying an effective environmental management system. Building on this strong foundation, the Group is committed to achieving ISO 50001 – the Energy Management System Standard over the next 18 months.

Having a group-wide cohesive energy management system will enable closer monitoring and thus enhanced decision making leading to further enhancements to energy efficiency.

# Responsible Business Report

To track the impact of our sustainability initiatives across the Group, we have adapted our internal processes to provide monthly monitoring of Scope 1 and 2 carbon emissions figures. We have also identified environmental champions at individual locations across the Group and we are introducing online environmental training.

Led by CEO Neil Stothard, we have formed an environmental steering group to consolidate and share green initiatives Group-wide and to drive our overall sustainability agenda.

## Fossil fuels

We acknowledge our dependence on fossil fuels and the impact this continues to have on climate warming. Our greenhouse gas emissions are calculated in accordance with the World Business Council for Sustainable Development and World Resources Institute's Greenhouse Gas Protocol, the best practice for corporate emissions reporting, along with HM Government's Environmental Reporting Guidelines 2019 and the latest DEFRA conversion factors.

Greenhouse gas emissions data for the period 1st April 2020 to 31st March 2021 is set out below:

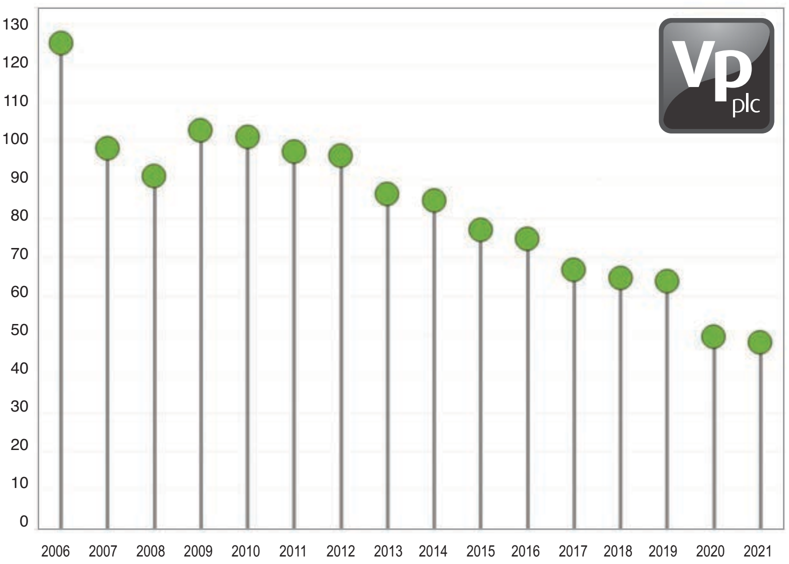
| | | 2021 | 2020 |
|---|---|---|---|
| UK | Scope 1 (Tonnes CO2e) | 11,146 | 15,527 |
| | Scope 2 (Tonnes CO2e) | 1,977 | 2,429 |
| | Total Scope 1 & 2 (Tonnes CO2e) | 13,123 | 17,956 |
| | Energy consumption of Scope 1 & 2 (kWh) | 55.0m | 73.3m |
| | Intensity Ratio: Tonnes CO2e (gross Scope 1 + 2) / £1 million revenue | 49 | 56 |
| | Scope 3 (Tonnes CO2e)* | 1,970 | 3,906 |
| International (excluding UK) | Scope 1 (Tonnes CO2e) | 1,411 | 1,251 |
| | Scope 2 (Tonnes CO2e) | 268 | 338 |
| | Total Scope 1 & 2 (Tonnes CO2e) | 1,679 | 1,589 |
| | Energy consumption of Scope 1 & 2 (kWh) | 7.0m | 6.4m |
| | Intensity Ratio: Tonnes CO2e (gross Scope 1 + 2) / £1 million revenue | 45 | 39 |
| | Scope 3 (Tonnes CO2e)* | 1,036 | - |

*Scope 3 figures are limited to emissions from external haulage

Since 2009, the Vp Group has reduced its greenhouse gas emissions year-on-year with CO2 equivalent tonnes per £m revenue reducing from 125 tonnes per £1m revenue in 2006 to 48 tonnes per £1m revenue at year end 31 March 2021. There is, however, still much more that we can do.

To build on this strong record, we have explored offsetting our emissions but we have concluded that it would be more constructive to have a primary focus on improving our own internal outputs through investments in training, infrastructure, energy management and fleet choices. Vp proactively works to reduce its dependence on fossil fuels by exploring multiple opportunities some of which are detailed below.

Scope 1 & 2 emissions expressed in tonnes of CO2 equivalent per £m revenue



# Responsible Business Report



## Vehicle Fleet and Fuel Emissions

The Group operates circa 1,350 commercial vehicles and company cars covering, in a typical year, 48 million miles annually. We have a range of initiatives to minimise the emissions from our commercial and company car fleet. We continually update our leased commercial vehicle fleet, the majority of which is less than four years old. Within our largest commercial fleet, we enjoyed a 6% reduction in greenhouse gas emissions in 2020 by replacing vehicles. To further reduce emissions and improve road safety, we aim to influence more eco-friendly driving practices through the improved use of telematics information and driver training.

We are currently trialling a range of hybrid and electric commercial vehicles and are installing charging stations at some of our larger locations. The Group has also introduced self-charging and Plug-in Hybrid cars into the leased company car fleet.

Where possible, on long term projects, we look to identify for strategic locations thereby greatly reducing distances travelled. Furthermore, we are expanding our offering of remote customer support which can expedite query resolution as well as reducing the need for travel.

In partnership with a major manufacturer and an alternative fuels company, we are piloting the use of Green D+ HVO fuel in our larger plant to test its viability. At the same time, we are trialling electric forklift trucks as a green alternative to the traditional diesel engine fleet.

We have identified environmental champions at individual locations across the Group and we are introducing online environmental champion training.

## Renewable Energy

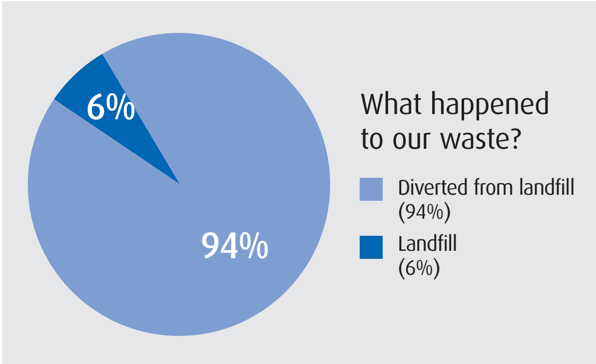
We are also moving to renewable energy usage in our electricity supply. By the end of Q2 2021, all UK properties will be supplied with 100% renewable electricity, backed by certificates of renewable energy guarantees of origin. This will provide an annual reduction of c. 2,500 tonnes of carbon emissions equating to around 10% of our annual emissions.

We are also identifying reviewing sites across the Group where we can generate our own renewable energy. We have our first solar panel installation in the UK and are currently installing the same in three of our sites in Australia.

## Waste

We aim to decrease the amount of unsorted waste produced within our office and branch network and seek to divert all waste from landfill. Across the Group, the average percentage diverted from landfill improved from circa 80% in 2019 to in excess of 90% of the total waste output in 2020.

To continue this positive trend we are engaged in implementing waste reduction strategies at branch and depot level – including working with suppliers to reduce waste generation at source.




## Water

A comprehensive Group-wide water audit is underway to review our usage and identify savings opportunities. Within the audit, special consideration is being made to evaluate the possibility of additional rainwater harvesting and grey water recycling where we have high water usage due to washdown facilities.

## Paper

Group wide usage of paper is also under scrutiny. We are reviewing the utilisation of recycled paper as well as eliminating the use of paper media wherever possible with a number of our trading divisions having already moved from paper to digital marketing and digitised invoice and purchase order generation.

A significant reduction in our paper usage has come from transferring many of our training materials and logistical processes onto digital tablets. The Group has recently invested in an online training portal which will facilitate the changes we require. These activities have already provided an annual reduction of three million printed pages, equal to 13 tonnes of paper.

Our Annual Report and Accounts are principally offered in electronic format. Where print format is requested the documents are printed on 100 per cent recycled materials.

Allied to the focus on paper, we are reviewing our integrated printer hardware and within our largest division have upgraded to the latest inkjet printer technology which has reduced energy usage by more than 80%.

## SUPPLY CHAIN AND RENTAL FLEET

Vp aims to source all of its equipment responsibly and is committed to reduce the embedded emissions in equipment by working with manufacturers, suppliers and customers to drive innovation. The Group has begun the process of auditing the supplier network and it is our goal to work with those whose environmental objectives best align with our own and to encourage improvements in those who fall short.

We are developing procurement guidelines and performance standards for branch upgrades using the best-in-class innovations to implement our efficiency requirements.

We work closely with our supply chain to provide the best performing rental fleet possible to the customer and those considerations have developed substantially to include environmental and sustainability elements.

We maintain our long-term focus on innovation working with both our suppliers and customers to expand and improve our offering. Concurrently, we actively raise the awareness of, and encourage, our customers to utilise products that are less impactful to the environment and user. As a Group, we continually seek to reduce the number of fossil fuel powered products that we operate in our fleet through harnessing alternative solutions using innovative technologies. There are many examples of equipment across the Group which display more sustainable characteristics than traditional models.

Working closely with our key suppliers and our larger customers, we are developing a decarbonisation strategy that will reduce emissions from the small plant and tools in our rental fleet in four distinct ways:

- Using battery technology to replace small diesel and petrol generators
- Supplying battery charging stations powered by solar and hybrid generator technologies
- Replacing corded and petrol tools with cordless equipment wherever possible
- Using mechanical fleet with no internal power source where possible

Whilst there is a rapidly widening range of products with better environmental credentials, we highlight the following as some examples of the latest hire fleet developments.

### Reducing Energy Consumption

**Battery and Solar** - Our range of 'zero emissions at point of use' assets continues to grow. These include the 19C-1E Mini Excavator, 525-60E 6-metre Telehandler, HTD5 E-TEC Dumpster from JCB and Tufftruk's 450 Bendie.

We are also pleased to offer solar panelled fencing that allows our customers to generate and store their own renewable energy. The latest addition is a battery powered cold pressure washer which is 70% more efficient than its fossil fuel predecessor.










**1 & 5** Examples of battery operated equipment
**2, 3 & 4** Battery powered tools
**6** Brandon Hire Station ChargePod
**7** Electric 6 metre telehandler
**8** Low level access machines that consume no energy
**9** Example of our greener product range including cleaner lighting solutions

# Responsible Business Report

The Group has invested heavily away from fossil fuel power tools with around 65% of our powered small plant and tool assets now battery powered.

The demand for cordless electric tools has in turn created the need for multiple charging points, so working closely with our supply chain, the ChargePod has been developed to deliver 24 battery charging points in a single, secure container, powered by a hybrid generator with industry leading solar panels. In addition to the ChargePod, we supply 24 and 60 kWh battery packs which are offered with solar panels for renewable power generation.

**Lighting efficiency** - The majority of our lighting towers use LED technology which draw far less power and require a much smaller engine to operate them. Compared to older models, they consume approximately a quarter of the fuel fuel usage, emissions and operating costs are 70% lower. Over the next few months, 100% of our lighting tower fleet will be LED. We also offer solar powered lighting solutions to the rail sector.

**Non energy-consuming solutions** - We currently operate close to 5,000 mechanical low-level access platforms, the majority of which are zero emission and powered by the user and therefore have zero emissions on use.

## CONSERVATION PROJECTS

Our economies, livelihoods and well-being all depend on our most precious asset: nature. *Source: The Economics of Biodiversity: The Dasgupta Review, 2021*

In parallel with aiming to maximise our long-term emission reductions, we recognise the intrinsic value of a well-managed, functioning biosphere. We also acknowledge the priceless utility nature has in providing the many and varied ecosystem services humanity depends on such as emission capture and storage, food provision and flood mitigation. To date, the UK has failed to reverse the steep loss of biodiversity with 41% of UK species in decline and one in 10 species threatened with extinction.

To this end, the Group has recently made an initial investment in conservation projects. We are supporting projects with the Yorkshire Peat Partnership and Nottinghamshire Wildlife Trust. Respectively, the projects aim to discover effective methods to restore degraded peatlands and demonstrate well managed soils and wetlands as crucial carbon sinks and harbours of biodiversity.

Through these projects, we hope to enhance the connection Vp employees and families have to the natural world by providing first hand restoration and learning experiences.

## FUTURE COMMITMENT

The Group is setting ambitious yet achievable targets. Over the next 18 months we shall achieve ISO standard 50001 which will refine and define each Division's energy management policy. We will maintain an active and real focus on our sustainability performance and impact as a Group.

We aim to influence the awareness of our employees so that the environmental impact of our actions is considered in everything we do. We shall continue to adopt industry-leading practices across the Group to minimise our greenhouse gas emissions and other negative environmental impacts. We are currently working towards being compliant with ESOS Phase 3 and future initiatives will be identified as we progress towards compliance with ISO 50001.

In light of the lessons learnt from the pandemic we are seeking to maximise the opportunity presented by the newly emerged digital communication platforms which will significantly reduce travel and the associated impact on the environment.

Our commitment to the environment is defined by this sustainability strategy, and this strategy will evolve over time. We see the above initiatives and actions as representing the start of a long term commitment to continually challenge the impact of the Vp group activities, direct or indirect, on the environment.

The environmental criteria on which the Group is measured seek to quantify our effectiveness as a steward of nature. As articulated in our business objective, we look to take a long term view as we develop the Vp Group.

Our approach to sustainability is no different and fits well into that objective.

## OUR PEOPLE

### Covid-19

During the Covid-19 pandemic, the health, safety and wellbeing of our employees has continued to be our utmost priority and we have been extremely proud of our employees' response whilst working in different environments and challenging circumstances. We continue to review and respond to the global Covid-19 situation and the health, safety and wellbeing of our employees continues to be our key priority.

### Wellbeing

The wellbeing of our people is of prime importance and we are therefore committed to addressing Mental Health Awareness through development programmes. We have previously introduced a Mental Health Awareness course for all line managers and we are now evolving a programme to create awareness for all of our people across the Group. This will include the development of internal Mental Health First Aiders as Ambassadors. Added to our occupational health, private medical and employee assistance programme services we are continuing to raise awareness of safety, health and wellbeing to all employees.

### Development

The development and retention of our people remains a key focus for us. Similarly, attracting talented people to join us supports our aims of exceeding our customers' expectations and enhancing shareholder value. We are committed to helping all of our people develop the necessary knowledge, skills and behaviour to perform even better in their current jobs, whilst creating exciting opportunities for them to fulfil their potential. Investment in our new Learning Management System will enable us to design rich learning experiences for everyone. At the same time, we are encouraging all of our people to take responsibility for their own learning and ensuring they have a personal development plan in place. This will allow us to develop the operational capabilities of our team and enhance the management and leadership skills across the Group.

To enrich the learning experiences for our people, we are evolving our portfolio to complement face to face and virtual sessions with engaging digital learning solutions. Our learning and development agenda starts with the on-boarding and the welcome we give to our people. This includes a detailed plan for each individual ensuring they can carry out their role safely and effectively. In addition, we offer technical, behavioural, management and leadership development relevant for each individual learner. This will further enhance our capability to handle change and the challenges of the future.

We recognise the need to attract our future engineers and have always considered apprenticeships a great way to source this since our earliest years. Currently, we have 28 engineering apprentices across the Group. Eighteen of these are completing their second year, with another 10 finishing their apprenticeship this year. These apprentices will work towards the new Level 3 Land Based Engineering standards, allowing us to tailor the scheme for our specific business needs. Alongside this we are currently considering other apprenticeship opportunities for sales and customer service roles. Our belief in apprenticeships will see us explore even more possibilities in the future.

We also successfully facilitate a Group Graduate programme. This is an eighteen-month comprehensive programme, where our graduates work across all of our functions and as many of our businesses as possible. We have successfully placed all of our previous people into management roles, and will hope to do likewise with our four new graduates who start with us in September.

### Inclusion and Diversity

Our people are what makes our business successful and we aim to provide a welcoming environment where they feel valued and able to have a successful career with us. We believe in equality, diversity and inclusion and recognise that it is critical to our continued future growth. We continue to be an inclusive employer committed to ensuring that we engage with our current and future employees and are fully supportive of them regardless of age, gender, ethnicity or disability. We recognise that a diverse workforce helps to promote innovation and business success. The Group is an equal opportunity employer committed to providing the same level of opportunity to all. Women are represented at all levels of our organisation, 20% of the Board and 15% of senior managers are female.

| Workforce by gender | Male | Female | Female % |
|---|---|---|---|
| Board of directors | 4 | 1 | 20 |
| Senior management | 68 | 12 | 15 |
| All employees | 2055 | 359 | 15 |

# Responsible Business Report



### Retention

Retaining talented people is vital to our continued success. We aim to build and maintain excellent relationships with our employees. We take our duty of care to our employees seriously; we encourage them to achieve an appropriate work life balance and we provide access to confidential advice and support on personal issues such as health and financial problems.

Employee share ownership is encouraged and where practical the Group offers the opportunity to participate in share schemes. At 31 March 2021, approximately 41% (2020: 39%) of our UK employees were participating in the Save As You Earn Scheme.

A major factor in our success in delivering operational excellence and outstanding customer service is the continuity provided by long service which is recognised and celebrated throughout the business. As a Group, over 48% of our employees have in excess of five years' service and 30% have more than ten years' service. We aim to keep employee turnover as low as possible. Our employee turnover was 23% in the year (2020: 26%).

We operate comprehensive training modules at all levels of employment throughout the Group. These commence with detailed induction training and then advance to cover the technical skills required to carry out each role effectively and safely. 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. The Group now also offers a leadership development programme, which aims to further enhance the capability of the business to handle change and the challenges of the future. We are committed to providing a safe and secure working environment, and to promoting the health, safety and well being of all our employees. We provide a range of support including an employee care help line, discounted policies for a health care provider and access to an employee healthy lifestyle assistance programme. We have also introduced a one-day Adult Mental Health Awareness programme for all our Branch, Depot and Line Managers which has been extremely well received.

## HEALTH & SAFETY

Excellent health and safety performance is fundamental to our business. It is essential that we provide a safe working environment for our employees and that the equipment we supply to our customers is safe and fit for purpose.

We strive to minimise accidents and dangerous occurrences. We aim to continually improve standards of health and safety within all our businesses and with our customers. The Group sets an overall policy for the management of health and safety. The Chief Executive retains oversight in this area and discusses performance on a regular basis with the individual businesses. He also reports to the Board on overall performance and any more serious incidents that arise.

Operational responsibility lies within the Group's individual businesses which are closest to and best positioned to manage their risks. All businesses, however, have clear policies and procedures and appropriate risk assessment techniques backed by training and clear communication.

Training is focused not only on specific hazards but also the wider obligations of management. These activities are overseen by appropriately qualified and experienced health and safety advisers and are subject to regular audit, both internally and externally.

As noted above Health and Safety performance is monitored at a business level. This incorporates analysis of accidents, near misses and dangerous occurrences. Where accidents, near misses or dangerous occurrences happen these are investigated in order for them to be fully understood and for appropriate action to be taken to minimise the risk of occurrence.

We ended the year with an Accident Frequency Rate of 0.29, a slight increase on our 2020 rate of 0.27.

The AFR is calculated by multiplying the number of RIDDOR reportable accidents by 100,000 (the average number of hours worked in a lifetime), divided by the overall number of hours worked by all members of staff. Reportable accidents under the Reporting of Injuries Disease and Dangerous Occurrences regulations 1995 were 17, in line with prior year (2020: 17).

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Accident frequency rate | 0.29 | 0.27 | 0.19 |

## COMMUNITY

We aim to have a positive impact on communities in which we operate. We actively encourage our teams to support their communities by providing their time and enthusiasm to raise money for local and national charities. In most cases the monies raised by employees are matched by the Group. During the year we donated £41,000 (2020: £50,000) to charities.

# Responsible Business Report

## BUSINESS RELATIONSHIPS AND ETHICS

The Group has always conducted its business responsibly and ethically. The Group is committed to operating with honesty and integrity, and all employees are expected to maintain high standards. The standards expected are specified in codes of conduct to which employees are required to adhere, including compliance with all applicable laws and regulations.

### Policies

#### Anti-bribery policy

The Group has in place an anti- bribery policy, which clearly states a number of obligations for our employees, and is committed to zero – tolerance to acts of bribery and corruption.

#### Competition law policy

We believe that a competitive marketplace benefits both the Group and our customers. Accordingly, we compete vigorously but fairly, acting in full compliance with all applicable Competition Laws and Regulations. We are committed to conducting our business with honesty and integrity, and we expect the same of all employees.

#### Modern slavery statement

We support the objectives of the Modern Slavery Act and will not tolerate modern slavery or human trafficking within our own supply chain. During the year the Group conducted a further review of its supply chain and published its statement accordingly.

#### Environmental policy

A new environmental policy was developed at the beginning of 2021 and outlines that we recognise that a changing climate requires that society and business work together to adapt.

#### Whistleblowing policy

Our whistleblowing policy ensures our employees feel empowered to raise concerns relating to malpractice or wrongdoing through a confidential hotline. We have no incidents of whistleblowing. Where incidents of whistleblowing are reported, there is a process for bringing this to the Board's attention to seek guidance on how to respond.

#### Respect for human rights

We do not maintain a standalone human rights policy. The Group supports and is guided by the Universal Declaration of Human Rights. The Group understands its responsibility to respect the human rights of the communities and workforces with whom it interacts, and employees are expected to behave accordingly.

## NON- FINANCIAL INFORMATION STATEMENT

Our Annual Report and Accounts details our approach to environmental, social and employee related matters. The table below outlines where in this report you can find this information and where additional information can be found on our website.

| Reporting requirement | Standards and policies that govern our approach |
|---|---|
| Business model, principal risks and non-financial KPIs | For the business model, see p.1<br>For principal risks, see p.28<br>For non-financial KPIs see, p.1, 16, 17, 21 |
| Environmental matters | Environmental policy, see p.15<br>Sustainability, see p.15<br>Corporate responsibility, see p.15 |
| Employees | Diversity and inclusion policy, see p.20<br>Health safety and wellbeing policy, see p.20<br>Whistleblowing policy, see above<br>Recruitment and retention of staff, see p.28 (Risk section) and p.21<br>Employee handbook |
| Human rights | Modern slavery statement, see above<br>Corporate responsibility, see p.15 |
| Social matters | Sustainability, see p.15<br>Corporate responsibility, see p.15<br>Diversity and inclusion policy, see p.20 |
| Anti-fraud, bribery and corruption | Anti-bribery policy, see above<br>Competition Law policy, see above<br>Whistleblowing policy, see above<br>Employee handbook |

# Financial Review

The Covid-19 pandemic had a significant impact on financial performance in the year. Group revenues decreased to £308.0 million (2020: £362.9 million). Profit before tax, amortisation and exceptional items (PBTAE) fell to £23.3 million (2020: £47.1 million) with PBTAE margins at 7.6% (2020: 13%). Statutory (loss)/profit before tax was (£2.3) million (2020: £28.4 million) after exceptional items of £15.1 million and £7.1 million of goodwill impairment. The return on average capital employed was 9.2% (2020: 14.5%).

*Group Finance Director: Allison Bainbridge*



## EARNINGS PER SHARE, DIVIDEND AND SHARES

Basic earnings per share before the amortisation of intangibles, exceptional items and IFRS 16 impact decreased from 91.0 pence to 46.8 pence. Basic earnings/(loss) per share after the amortisation of intangibles and exceptional items reduced to (11.6) pence (2020: 46.9 pence).

Exceptional items of £15.1 million (2020: £1.5 million) comprised regulatory review costs, and Covid-19 driven restructuring costs across the Group.

In January 2021 a special dividend of 22.00 pence per share was paid in lieu of the final dividend for the year ended 31 March 2020 resulting in a full year dividend of 30.5 pence for 2020. For this financial year no interim dividend was paid and a final dividend of 25.0 pence for the year ended 31 March 2021 has been proposed by the directors. If approved the full year dividend would be reduced by 5.5 pence (18%) with dividend cover of 1.9 times (2020: 3.0 times).

The application of IFRS16 reduces PBTAE by £97,000.

## BALANCE SHEET

Net assets decreased by £16.8 million to £153.1 million. The Group's balance sheet is summarised above.

| | As at 31 March 2021 £'million | As at 31 March 2020 £'million |
|---|---|---|
| Hire fleet | **206.0** | 218.1 |
| Other fixed assets | **27.9** | 29.7 |
| Intangible/goodwill | **64.4** | 74.3 |
| Working capital | **(11.5)** | 19.1 |
| Pension asset | **2.2** | 3.0 |
| IFRS 16, net | **(3.6)** | (3.3) |
| Deferred tax liability | **(10.4)** | (11.2) |
| Net debt | **(121.9)** | (159.8) |
| **Net assets** | **153.1** | 169.9 |

Total property, plant and equipment decreased by £13.9 million to £233.9 million. The movement in the year mainly comprised; £44.2 million (2020: £56.3 million) total capital expenditure offset by £45.0 million total depreciation and £13.3 million net book value of disposals, the balance being foreign exchange movement.

Rental equipment at £206.0 million (2020: £218.1 million) accounts for 88% of property, plant and equipment net book value. Expenditure on equipment for hire was £40.2 million (2020: £49.1 million) and depreciation of rental equipment £39.8 million (2020: £40.5 million).

The Group carried forward £20.6 million (2020: £23.7 million) of intangible assets and £43.8 million (2020: £50.6 million) of goodwill at 31 March 2021. The £9.9 million movement in the year mainly reflects £3.3 million of amortisation and £7.1 million of goodwill impairment. The goodwill impairment mainly relates to the historic acquisitions of Hire Station. Taking into account current and budgeted financial performance the Board remains satisfied with the carrying value of the remaining assets.

Debtor days decreased to 56 days compared to 62 days in the previous year. Gross trade debtors were £68.5 million at 31 March 2021 (2020: £76.5 million). Bad debt and credit note provisions totalled £7.2 million (2020: £4.3 million) equivalent to 10% (2020: 6%) of gross debtors. The bad debt write off for the year ended 31 March 2021 as a percentage of total revenue was 0.6% (2020: 0.8%).

# Financial Review

The Group's defined benefit pension schemes have a surplus of £2.2 million (2020: £3.0 million) which is recorded as an asset on the balance sheet on the basis the Company has an unconditional right to a refund of the surplus. The valuation of the pension schemes is subject to uncertainty associated with the assumptions used. This is covered in more detail in notes 1 and 25.

## CASH FLOWS AND NET DEBT

The Group continues to generate strong cash flows and net debt reduced by £37.9 million from £159.8 million at 31 March 2020 to £121.9 million at 31 March 2021. EBITDA before exceptional items totalled £72.7 million (2020: £98.1 million).

The Group's cash flow is summarised below:

| Pre IFRS 16 | 2021 £million | 2020 £million |
|---|---|---|
| EBITDA | **72.7** | 98.1 |
| Working capital | **34.2** | (14.9) |
| Profit on sale | **(4.3)** | (8.9) |
| Cash from operations | **102.6** | 74.3 |
| Exceptional items | **(15.2)** | (1.5) |
| Capital expenditure | **(46.5)** | (54.7) |
| Proceeds from disposal | **17.5** | 21.4 |
| Acquisitions | **-** | (3.3) |
| Interest | **(4.7)** | (4.5) |
| Tax | **(2.9)** | (10.7) |
| Dividends | **(8.7)** | (12.1) |
| Other | **(4.2)** | (1.0) |
| **Change in net debt** | **37.9** | 7.9 |

Cash generated from operations increased by £28.3 million to £102.6 million (2020: £74.3 million) mainly due to a £34.2 million inflow of working capital of which £18.2 million was a decrease in trade and other receivables.

After adjusting for an outflow for capital creditors of £2.4 million, cash flows in respect of capital expenditure were £46.5 million (2020: £54.7 million). Proceeds from disposal of assets amounted to £17.5 million (2020: £21.4 million), producing a profit on disposal of £4.3 million (2020: £8.9 million). The margin on profit on sale from disposals of fleet assets at 25% (2020: 42%) reflects effective asset management.

Net interest outflows, excluding IFRS 16 adjustments, for the year totalled £4.7 million (2020: £4.5 million). Interest cover before amortisation was 6.66 times (2020: 10.58 times) and the gearing ratio of adjusted Net Debt/EBITDA was 1.62 (2020: 1.65); both are calculated in accordance with our bank facility agreements and are comfortably within our covenants of greater than 3 times and lower than 2.5 times respectively. Net interest expense including IFRS 16 was £7.8 million (2020: £8.8 million). Cash tax fell by £7.8 million due to the impact of Covid-19 on profitability.

Special dividend payments to shareholders in respect of 2020 totalled £8.7 million (2020: £12.1 million), and cash investment in own shares on behalf of the Employee Benefit Trust (EBT) during the year was £5.1 million (2020: £2.4 million). The application of IFRS16 increases EBITDA by £24.0 million.

## CAPITAL STRUCTURE

The Group finances its operations through a combination of shareholders' funds, bank borrowings, finance leases and operating leases. The capital structure is monitored using the gearing ratio quoted above. The Group's funding requirements are largely driven by capital expenditure and acquisition activity.

As at 31 March 2021 the Group had £200.0 million (2020: £200.0 million) comprising £135 million committed revolving credit facilities and £65 million private placement agreement. In addition to the committed facilities the Group's net overdraft facility at the year end was £7.5 million (2020: £7.5 million). These facilities were with Lloyds Bank plc, HSBC Bank plc and PGIM, Inc. Borrowings under the Group's bank facilities are priced on the basis of LIBOR plus a margin. The interest rate margin is linked to the net debt to EBITDA leverage of the Group.

The £135.0 million revolving credit facilities were due to mature in December 2021. Consequently, in April 2021, the Group drew down a new £28.0 million seven year private placement under the existing agreement with PGIM inc. In June 2021, the Group also refinanced its £135.0 million revolving credit facilities with a new £90.0 million facility. The new revolving credit facility agreement also includes a £20.0 million uncommitted accordion facility.

# Financial Review

The Board has evaluated the facilities and covenants on the basis of the budget for 2021/22 (including the 2022/23 long term forecasts), which has been prepared taking into account the current economic climate, together with a severe but plausible downside scenario. All scenarios retain adequate headroom against borrowing facilities and fall within existing covenants.

Refer to further discussion regarding going concern within the Directors' Report on page 54.

## TREASURY

The Group has exposure to movements in interest rates on its borrowings, which is managed by maintaining a mix of fixed and floating interest rates. At the year end the Group had seven interest rate swaps to hedge the risk of exposure to changes in interest rates, these swaps have fixed interest rates net of bank margin at between 0.49% and 1.21% and are detailed in note 17 on page 92 of the accounts. In the year ended 31 March 2021, the fixed element of borrowings including the private placement agreement was £109.5 million which was 84% of average net debt.

The Group is exposed to movements in exchange rates for both foreign currency transactions and the translation of net assets and income statements of foreign subsidiaries. The Group regards its interests in overseas subsidiary companies as long term investments and manages its translational exposures through the currency matching of assets and liabilities where possible.

The matching is reviewed regularly with appropriate risk mitigation performed, where necessary. The Group has exposure to a number of foreign currencies. The Group had two foreign exchange hedges to reduce the risk of rate fluctuations between US dollars and Sterling in the year ended 31 March 2020. It also has further foreign exchange hedges between US dollars and Sterling covering the period from 1 April 2020 to 30 June 2022.

## TAXATION

The overall tax charge on profit before tax was £2.3 million (2020: £9.8 million), a negative effective rate of (102.8)% (2020: 34.5%). The current year tax charge on a statutory loss of £2.3 million was increased by £1.6 million in respect of expenses not deductible for tax purposes and £1.1 million in respect of impairment of intangibles. The underlying tax rate was 21.3% (2020: 20.3%) before prior year adjustments, disallowable expenses and impairment of intangibles. A more detailed reconciliation of factors affecting the tax charge is shown in note 8 to the Financial Statements.

## SHARE PRICE

During the year the Company's share price increased by 27% from 642 pence to 814 pence, compared to a 72% increase in the FTSE small cap index excluding investment trusts. The Company's shares ranged in price from 604 pence to 888 pence and averaged 720 pence during the year.

**Allison Bainbridge**
**Group Finance Director**
**8 June 2021**

# Viability Statement

## The directors have assessed the viability of the Group up to 31 March 2023.

The directors have assessed the prospects of the Group in accordance with provision C.2.2 of the UK Corporate Governance Code 2014 with reference to the Group's current position, its strategy, risk appetite and the potential impact of the principal risks and how these are managed. During the financial year the Group has continued to use regular reporting of the lead indicators relating to the principal risks.

The assessment of the Group's prospects by the directors covers the two years to 31 March 2023 and is underpinned by management's 2021 – 2023 business plan which includes projections of the Group's profit performance, cash flow, investment plans and returns to shareholders.

The projections have been subjected to sensitivity analysis, involving the flexing of key assumptions reflecting severe but plausible downside scenarios. A range of scenarios have been modelled to reflect changing circumstances with respect to the principal risks facing the Group together with the likely effectiveness of mitigating actions that would be executed by the directors. These scenarios include consideration of market risk arising from the impact of a downturn in economic activity, slower recovery from Covid-19 and financial risk.

Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the two year assessment period.

# Risk Management

## The Board is responsible for determining the level and nature of risks it is appropriate to take in delivering the Group's objectives, and for creating the Group's risk management framework. The Board recognises that good risk management aids effective decision making and helps ensure that risks taken on by the Group are adequately assessed and challenged.

### RISK ASSESSMENT

The Group has an established risk management strategy in place and regularly reviews divisional and departmental risk registers as well as the summary risk registers used at Board level. A risk register is prepared as part of the due diligence carried out on acquisitions and the methodology is subsequently embedded.

All risk registers have a documented action plan to mitigate each risk identified. The progress made on the action plan is considered as part of the risk review process. Within the last financial year Group Internal Audit Department has completed key control reviews in all divisions.

The summary divisional and departmental risk registers and action plans were reviewed at risk meetings held in May 2021. In all cases it is considered that the risk registers are being used as working documents which provides the required assurance that existing risks are being managed appropriately. Work is also underway on communicating risk registers more effectively using our chosen visualisation software. This will enhance accountability over key risk areas.

The risk registers are reviewed at the start (to facilitate the planning process) and at the end of each internal audit project. A post audit risk rating is agreed with management. If new risks are identified following an audit project they are added to the relevant risk register. Heat maps illustrating post audit risk ratings and new risks are provided to the Board in each published internal audit report.

Covid-19 has not been identified as a specific new risk, but considered in relation to each area of risk it impacts. As such, 3 of the 8 principal risks disclosed in this report (Market, Safety and Financial) have an increased risk status.

The Executive Board created a Covid-19 working party (Group CEO, Group FD, Group HR Director and senior Divisional Managing Directors) to consider the risks facing the Group and individual divisions. This group has met regularly throughout the pandemic and continues to meet as the Group navigates through the reopening of the economy. Refer to further discussion regarding going concern within the Directors' Report on page 54.

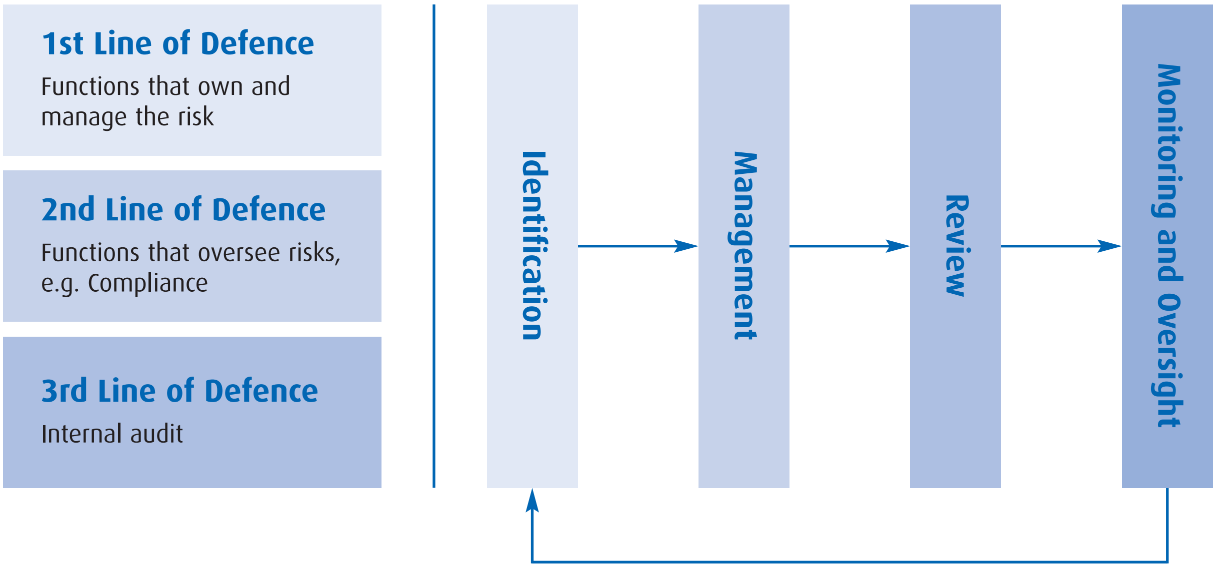
Further information is provided on pages 28 and 29 on our principal risks and uncertainties section alongside the mitigating activities to address them.

# Risk Management



Our risk reporting framework is set out below:


The Group operates the following approach to risk management:



# Principal Risks and Uncertainties

**The directors carry out a robust assessment of the principal risks facing the Group and continue to review lead indicator reporting on these risks. The principal risks in the current risk register are:**

| RISK DESCRIPTION | MITIGATION | CHANGE FROM 2020 |
|---|---|---|
| **Market risk**<br>An economic downturn (as a result of economic cycles, political or Brexit related uncertainty) 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.<br>The Covid-19 pandemic has impacted the business, some Divisions being more affected than others depending on the end market they serve. | ↑ |
| **Competition**<br>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**<br>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 Group's return on average capital employed was 9.2% (2020: 14.5%) in 2021. The quality of the Group's fleet disposal margins also demonstrate robust asset management and appropriate depreciation policies. Immediate action taken in response to Covid-19 was to defer capital expenditure in many areas. Selective spending resulted in fleet capital spend of £40.2 million (2020: £49.1 million). | → |
| **People**<br>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.<br>The Group utilised the Government's Job Retention Scheme until October 2020. | → |
| **Safety**<br>The Group operates in industries where safety is a key consideration for both the wellbeing of our employees and 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. Our induction and training programmes reinforce these policies. We have compliance teams in each division.<br>We provide support to our customers exercising their responsibility to their own workforces when using our equipment.<br>The Covid-19 pandemic has had a significant impact on our employees, many of whom successfully transitioned to working from home as required during the various lockdowns. Our IT processes and prior planning facilitated this. In line with Government guidance, we have commenced a phased transition back into working at our various back office locations.<br>Our compliance teams have carefully considered safe methods of working in our depot network and with due consideration of how the business can safely interact with our customers. | ↑ |

# Principal Risks and Uncertainties

| RISK DESCRIPTION | MITIGATION | CHANGE FROM 2020 |
|---|---|---|
| **Financial risks**<br>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 currently has borrowing facilities of £190.5 million and strong relationships with all lenders. Our treasury policy defines the level of risk that the Board deems acceptable. Vp continues to benefit from a strong balance sheet, and EBITDA, which allows us to invest into opportunities.<br>Our strong balance sheet position and committed borrowing facilities provided adequate headroom against the downturn in activity caused by the Covid-19 pandemic. Notwithstanding the impact of Covid-19, the Group ended the financial year in a healthy financial position. The Group continues to generate strong cash flows and net debt reduced by £37.9 million from £159.8 million at 31 March 2020 to £121.9 million at 31 March 2021. Management are in regular dialogue with our lenders who continue to express their commitment to the business.<br>Our treasury policy requires a significant proportion of debt to be at fixed interest rates and we facilitate this through interest rate swaps and fixed interest borrowings. 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 were 56 days (2020: 62 days) and bad debts as a percentage of revenue remained low at 0.6% (2020: 0.8%). | ↑ |
| **Contractual risk**<br>Ensuring that the Group commits to appropriate contractual terms is essential; commitment to inappropriate terms may expose the Group to financial and reputational damage. | The Group mainly engages in supply only contracts. The majority of the Group's hire contracts are governed by the hire industry standard terms and conditions. Vp has robust procedures for managing non standard contractual obligations. | → |
| **Legal and Regulatory Requirements**<br>Failure to comply with legal or regulatory obligations culminating in financial penalty and/or reputational damage. | The Group mitigates this risk utilising:<br>• Specialist Project Committees (e.g. GDPR) with ongoing responsibility to review key compliance areas and investigate breaches and non-conformance.<br>• Assurance routines from Group Internal Audit and External Auditors.<br>• Comprehensive training and awareness programmes rolled out to wider business (including GDPR, Modern Slavery, Competition Law, Bribery and Corruption) by representatives from Group Finance, HR, Internal Audit and IT. Many of these programmes are completed using our preferred online training portals.<br>• Established whistleblowing policy circulated to all employees.<br>• Use of legal advisers where required. | → |

↓ Decreased risk ↑ Increased risk → No change

**STRATEGIC REPORT**

The strategic report has been signed on behalf of the Board by:

**Neil Stothard**
**Chief Executive**
**8 June 2021**

# The Board

**Jeremy Pilkington** BA (Hons)
**Chairman**

### Appointment
Appointed to the Board in 1979 and became Chairman in 1981.

### Experience
Jeremy was Chairman and Chief Executive between 1981 and 2004.

### Committee membership
Chairman of the Nomination Committee.

**Neil Stothard** MA, FCA
**Chief Executive**

### Appointment
Appointed to the Board as Finance Director in 1997 and became Group Managing Director in 2004 and subsequently Chief Executive.

### Experience
Neil previously held Finance Director roles in the business travel management and logistics sectors. He is a non-executive director of Wykeland Group Limited.

### Committee membership
None

**Allison Bainbridge** MA, FCA
**Group Finance Director**

### Appointment
Appointed to the Board as Finance Director in March 2011.

### Experience
Allison 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 non-executive director of RPS Group Plc.

### Committee membership
None

**Steve Rogers** BSc, FCA, JP
**Non-executive Director**

### Appointment
Appointed to the Board in October 2008.

### Experience
Steve retired as a senior partner of PricewaterhouseCoopers in 2007.

### Committee membership
Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

**Phil White** BCom, FCA, CBE
**Non-executive Director**

### Appointment
Appointed to the Board in April 2013.

### Experience
Phil is a chartered accountant and has extensive experience within both listed and private companies. He is Chairman of Lookers Plc.

### Committee membership
Chairman of the Remuneration Committee and member of the Audit and Nomination Committees.

## INTRODUCTION FROM THE CHAIRMAN

The Board is accountable to our shareholders and stakeholders for the Group's activities and is responsible for the effectiveness of corporate governance.

The values and ethical standards of the Group rest upon principles of fairness, integrity and respect and the Board seek to promote and exemplify these values in discharging their responsibilities. These principles are both ethically based and commercially essential to delivering our strategic and growth objectives and to the long term success of the Company.

The Corporate Governance Report is set out on pages 30 to 54 and includes the Directors' Remuneration Report on pages 37 to 51. This section of the annual report covers how we manage the Group and how we comply with the provisions of the UK Corporate Governance Code. The Group continues to maintain and review its systems, processes and policies to support its governance practices.

The revised UK Corporate Governance Code which was published in July 2018 (the "Revised Code") applies to the Group with effect from 1 April 2019.

The Board reports that throughout the year the Company complied with the provisions of the UK Corporate Governance Code as applicable to a small market capitalisation company with the following exceptions - Steve Rogers has served as a non-executive director for more than nine years, the impact of Covid-19 delayed his replacement and now he will remain on the Board until we have completed the audit tender process.

Existing executive directors' pension contributions are all moving to 15%. The Board recognises this is not in line with provision 38 as it is not in line with the wider workforce. In line with the Remuneration Policy approved last year, new executive directors' pension contributions will be 10%.

This report and the following reports of the Committees describe the structures, processes and events through which compliance is achieved.

## CORPORATE GOVERNANCE

### Board structure

The Board comprised two executive directors, two non-executive directors and the Chairman. All directors are subject to annual re-election by shareholders. Accordingly, all the directors will retire at the AGM in July 2021 and their details are provided on page 30.

The roles of the Chairman and Chief Executive 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 Chairman is also responsible for promoting a culture of openness and debate, in addition to ensuring constructive and productive relations between executive and non-executive directors.

The Chief Executive, Neil Stothard, has operational responsibility for the management of the Group's business and for implementation of the strategy as agreed by the Board.

The role of the non-executive directors is to provide independent and considered advice to the Board in matters of strategy, risk and performance, whilst providing governance oversight through operation of the Board's committees.

The Board is satisfied that all non-executive directors are independent and that there are no circumstances or relationships that may affect judgments.

Each director is required, in accordance with the Companies Act 2006, to declare any interests that may give rise to a conflict of interest with the Company on appointment and subsequently as they may arise. Where such conflict, or potential conflict arises the Board is empowered under the Company's articles of association to consider and authorise such conflicts as appropriate and subject to such terms as they think fit. No such conflict arose during the year under review.

Any term of a non-executive director beyond nine years is reviewed. Steve Rogers has served for longer than this. Covid-19 delayed Steve Rogers' replacement and now he will remain on the Board until after the audit tender is complete.

Our senior independent director, Steve Rogers, is available to shareholders if they request a meeting or have concerns which contact through normal channels has failed to resolve. No such requests were received during the year.

| Length of service of director | 31 March 2021 |
|---|---|
| One to two years | - |
| Two to three years | - |
| Four to six years | 1 |
| More than six years | 4 |

| Balance of directors | 31 March 2021 |
|---|---|
| **Gender** | |
| Male | 4 |
| Female | 1 |

| Balance of directors | 31 March 2021 |
|---|---|
| **Role** | |
| Executive Chairman | 1 |
| Executives | 2 |
| Non executives | 2 |

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The Board is assisted by the Audit, Remuneration and Nomination Committees. Separate reports from the Audit and Remuneration Committees can be found on pages 34 and 37. There were no Nomination Committee meetings during the year. The Chair of each Committee provides regular updates at Board meetings.

### Board meetings and operation

The Board's agenda seeks to achieve a balance between review of performance, the development of strategy, the adoption of appropriate corporate policies and the management of risk and regulatory obligations.

The Board has a clearly documented schedule of matters reserved for its approval including:

- Strategy,
- Group results and the Annual Report and Accounts,
- Significant market announcements,
- Dividends and dividend policy
- Annual budgets and business plan,
- Major capital expenditure, significant investments or disposals
- Review of internal control and risk management
- Treasury policy.

In certain areas, specific responsibility is delegated to committees of the Board within defined terms of reference.

Matters falling outside of the Board's reserved list are delegated to the Group executive under the direction of the Chief Executive; responsibilities are delegated further to the Group's business segments and in turn within each business.

A system of delegated authorities whereby the incurring of expenditure and assumption of contractual commitments can only be approved by specified individuals and within predefined limits is in place throughout the Group.

Detailed papers are made available in advance of meetings in support of relevant agenda items. The Company Secretary assists the Chairman in ensuring that Board procedures are followed and is available to assist directors generally as well as advising on matters of corporate governance.

The Company Secretary, Allison Bainbridge is also the Group Finance Director. 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 Board had six scheduled meetings during the year, but also met on other occasions as required by specific activities.

| | Board | Audit | Remuneration | Nomination |
|---|---|---|---|---|
| Number of meetings held | 6 | 3 | 2 | 0 |
| *Executive directors* | | | | |
| Jeremy Pilkington | 6 | - | - | - |
| Neil Stothard | 6 | - | - | - |
| Allison Bainbridge | 6 | - | - | - |
| *Non-executive directors* | | | | |
| Steve Rogers | 6 | 3 | 2 | - |
| Phil White | 6 | 3 | 2 | - |

Whilst Jeremy Pilkington, Neil Stothard and Allison Bainbridge are not members of the Audit Committee, they did attend all meetings; they also attended, in part, certain of the Remuneration Committee meetings. There were no Nomination Committee meetings.

During the year the non-executive directors met with the Chairman without the executive directors present and the non-executives met without the Chairman present.

The Board is satisfied that the Chairman and each of the non-executive directors committed sufficient time during the year to enable them to fulfill their duties as directors of the company.

### Appointments to the Board

The Nominations Committee is chaired by the Company's Chairman, Jeremy Pilkington, with the two 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 Group's policy on diversity is set out on page 20 in the Strategic Report.

### Training and induction

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.

During the year the Chairman and non-executive directors met with and received presentations from members of the Group's senior management and engaged with the Group's businesses more generally.

Advice is available from the Company's solicitors, auditors and brokers if required. There is an agreed procedure for directors to take independent professional advice at the Company's expense. Updates are provided on key technical issues as required including those relating to corporate governance.

### Performance evaluation

The Board undertakes an annual appraisal of its performance. During 2021 an internal evaluation of Board performance was undertaken, whereby the Company's directors were asked to rate various areas of board and committee activity and to raise any areas of concern and suggestions. No areas of material concern were highlighted during this year's review.

### Annual Review

The Board retains overall responsibility for setting the Group's risk appetite as well as risk management and internal control systems.

A detailed report regarding the Group's systems of risk management and internal controls was prepared. Having reviewed and discussed this report the Board was satisfied that these systems are effective. The principal risks to which the Group is exposed and the measures to mitigate such risks are described on pages 28 to 29.

The respective responsibilities of the directors and the independent auditors in connection with the accounts are explained on pages 55 to 62 and the statement of the directors in respect of going concern appears on page 54. The long term viability statement is set out on page 26.

## SECTION 172 AND STAKEHOLDER ENGAGEMENT

The requirements of Section 172 and how they have been met are set out in the table below. Directors of the Company act in a way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard to:

| S172 REQUIREMENTS | ACTIONS TAKEN BY THE BOARD |
|---|---|
| the likely consequences of any decisions in the long term | Annual process to determine current and medium term priorities and set two year financial plan<br>Covid-19 impact – cost and cash management and appropriate use of Government support<br>Refinance of maturing RCF |
| the interests of the Company's employees | Health, safety and wellbeing of employees a priority<br>Preserved jobs during global pandemic<br>Refer to pages 20 and 21 of Responsible Business Report<br>Neil Stothard CEO is the director with designated responsibility for workforce engagement |
| the need to foster the Company's business relationships with suppliers, customers and others | Refer to Business Review pages 9 to 14 |
| the impact of the Company's operations on the community and environment | The Board receives monthly updates on health, safety and wellbeing of our employees<br>Group activities aligned to targeted UN sustainability goals pages 15 to 19 and page 21 |
| the desirability of the Company for maintaining a reputation of high standards of business conduct | Please see Responsible Business Report page 22 |
| the need to act fairly as between members of the Company | Annual Report available on line and sent to shareholders on request<br>AGM open to all investors and questions to the Board welcomed<br>Receiving reports from sector analysts to ensure that the Board maintains and understanding of investors' priorities<br>Regular trading updates<br>Presentations to new investors<br>Half year and full year results presentations and investor meetings |

# Audit Committee Report

*Steve Rogers*

## STATEMENT FROM STEVE ROGERS, CHAIRMAN OF THE AUDIT COMMITTEE

I am pleased to present our Audit Committee report for the year ended 31 March 2021. The report below describes the Committee's ongoing responsibilities as well as the major activities undertaken in what has been an unprecedented year in which the Group has had to address the challenges presented by the global pandemic.

## MAIN RESPONSIBILITIES OF THE COMMITTEE

The Audit Committee provides an independent overview of the effectiveness of the financial reporting process and internal financial control systems including;

- Reviewing the financial statements and announcements relating to the financial performance of the Group, including reporting to the Board on the significant issues considered by the Committee in relation to the financial statements and how these were addressed,
- Advising the Board in relation to whether the Annual Report complies with the Code principle to be 'fair, balanced and understandable',
- Assessing the scope and results of the annual audit and reporting to the Board on the effectiveness of the audit process and how the independence and objectivity of the auditors has been safe-guarded,
- Determining matters associated with the appointment, terms and remuneration of the external auditors,
- Evaluating the scope, remit and effectiveness of the internal audit function and the Group's internal control and risk management systems,
- Reviewing significant legal and regulatory matters and
- Reporting to the Board on how the Committee has discharged its responsibilities.

## MEMBERSHIP AND MEETINGS

The Committee met three times during the year and has a programme of business reflecting the Committee's responsibilities and Terms of Reference.

The effectiveness of the Committee in fulfilling its remit was considered by the Board as part of the most recent evaluation of performance.

Phil White and I are members of the Committee. The following other attendees regularly attend meetings; the Chairman and executive directors, Head of Internal Audit, Group Financial Controller and representatives from the external auditors, PwC. I also meet separately with the external auditors and the Head of Internal Audit twice a year without management being present.

The Committee is authorised to seek outside legal or other independent advice as it sees fit, but has not done so during the year.

The qualifications of the Committee members are outlined in the directors' biographies on page 30. The members of the Committee are all independent non-executive directors. The Board is satisfied that the Committee as a whole has competence relevant to the sectors in which the Group operates and have recent and relevant financial experience as required by the Code. I am a fellow of the Institute of Chartered Accountants of England and Wales and was previously a senior partner at PricewaterhouseCoopers.

## ACTIVITIES UNDERTAKEN DURING THE YEAR

The following activities were undertaken in the year, some of which are described in more detail below;

- Reviewed PwC's proposed audit strategy and plan for the 2020/21 audit, including the level of materiality applied by PwC and the areas of particular audit focus,
- Agreed PwC's engagement letter and negotiated the statutory audit fee for the year ended 31 March 2021,
- Confirmed the independence of the auditors and assessed the effectiveness of the 2020/21 external audit,
- Discussed the final audit report from PwC on the financial statements as well as PwC's report following their interim review,
- Reviewed and discussed reports on the financial statements and considered management's significant accounting judgements and policies being applied,
- Reviewed the basis of preparation of the financial statements as a going concern and the long term viability statement, prior to making a recommendation to the Board,
- Assessed the 2020/21 Annual Report and recommended to the Board that it was 'fair, balanced and understandable',
- Approved the internal audit plan and reviewed reports on the work of the internal audit function from the Head of Internal Audit,
- Considered the findings of the internal audit reports and satisfied ourselves that management has resolved or is in the process of resolving any outstanding issues or concerns,

# Audit Committee Report

- Approved the internal audit plan for 2021/22,
- Reviewed the effectiveness of the risk management and internal control systems prior to making a recommendation to the Board,
- Reviewed the conclusion of the Committee's annual evaluation.

## SIGNIFICANT ACCOUNTING ISSUES

It was a challenging year given the global pandemic. As a result the Group scrutinised the going concern assumption at half year and full year and more detail on this is set out on our going concern statement on page 54. In respect of the year under review and as part of its role in reviewing estimates and judgements made by management, the following significant issues were reviewed and addressed.

**Existence and valuation of rental equipment**
The Group holds a significant quantum and carrying amount of rental equipment in the normal course of its business. Management carry out fleet checks at interim and year end periods to confirm the existence of the rental fleet. There is management judgement involved in estimating the useful economic lives, residual values and any impairment of rental assets. Management annually review the appropriateness of useful lives and residual values assigned to rental equipment.

**Intangible assets**
This classification of assets receives consideration from the Board and Committee who need to be satisfied that its carrying value is appropriate. Goodwill impairment testing is carried out at each year end.

The Board and Committee considered the appropriateness of the CGUs for goodwill testing along with the assumptions and estimates used in the modelling. Following the yearend review, the Board and the Committee concluded that it was appropriate to book impairment charges of £10.2 million.

**Exceptional items**
A paper was presented to the Committee detailing the exceptional items in question and confirming that those items are significant in quantum and expected to be non- recurring. The Board and Committee are satisfied that it is appropriately to separately disclose those items.

## FAIR BALANCED AND UNDERSTANDABLE VIEWS

Having reviewed the Report and Accounts, the Committee concluded and advised the Board that in its view the Report and Accounts for 2021, taken as a whole, is fair, balanced and understandable. The Board then separately considered this matter and concurred with the Audit Committee's recommendation. In reaching this conclusion the Committee and the Board were satisfied that the Group's performance across its segments, as well as its business model, strategy and the key risks that it faces are clearly explained in the relevant sections of the Report and Accounts.

## AUDITOR EFFECTIVENESS AND INDEPENDENCE

The Committee keeps the scope, cost and effectiveness of the external audit under review. The Committee assessed the effectiveness of the external audit process during the year, based upon the Committee's interactions with the external auditors and through feedback from the Group Finance Team and Internal Audit. As a result the Committee has satisfied itself that PwC have provided an effective audit service to the Company and its subsidiaries.

The Committee ensures that the Group auditor remains independent of the Group and reviews this on an annual basis, with PwC providing a written report to the Committee showing its compliance with professional and regulatory requirements designed to ensure their independence.

During the year PwC proposed a significant fee increase for the year ended 31 March 2021 which has taken the fee from £260,000 to £510,000. This increase is attributed to external factors in the audit market, including regulatory changes, resulting in an increase in the cost of delivery. After discussions the Committee approved the proposed fee.

As part of its responsibility to ensure audit independence, the Committee has adopted a policy in relation to the use of auditors for the provision of non-audit services set out in an appendix to the Committee's terms of reference.

In the year the only non-audit service provided by the auditors was the half-year review and non-audit fees were £21,400 representing 4% of the audit fee (2020: £13,000 representing 5% of the audit fee). Over a three year rolling period, the level of non-audit fee has averaged 3% of the audit fee.

PwC was appointed as the Group's Auditor on October 2014 following a comprehensive tender process, and presented their first report to shareholders for the year ended 31 March 2015. PwC operate a policy requiring a change in lead partner every five years, with other senior staff rotating at regular intervals. The Group's audit partner Ian Morrison has just completed his fifth year as the lead audit partner.

The Group's policy is that the audit appointment should be retendered at least every ten years. Whilst the Committee have been satisfied with PwC's work, during 2021 the Committee invited PwC and other audit firms to tender for the audit service for the year ended 31 March 2022 with effect from October 2021.

The Committee recommended to the Board that a resolution to re-appoint PwC as auditor be proposed at the Annual General Meeting.

# Audit Committee Report

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Audit Committee has responsibility for reviewing risk management systems and the effectiveness of these systems. The responsibilities and processes in respect of risk management are described in detail on pages 26 and 27.

There is in place an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process is regularly reviewed by the Board. Risk management reports, prepared by the operating divisions supported by Internal Audit, were submitted to the Committee at its meeting in July 2020. The reports identified the significant risks to the Group, highlighted controls that mitigate the risks and the resultant post-mitigation risk. The Committee also considered the tolerance levels (risk appetite) that the Group is prepared to accept.

During the year the Committee monitored and reviewed the effectiveness of the Group's internal control systems, accounting policies and practices, risk management procedures and compliance controls.

The Group's internal control systems are designed to manage rather than eliminate business risk. They provide reasonable but not absolute assurance against material mis-statement or loss. Such systems are necessary to safeguard shareholders' investment and the Group's assets and depend on regular evaluation of the extent of the risks to which the Group is exposed.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group.

The Committee also reviews the Group's whistleblowing policy whereby employees may, on a confidential basis, raise concerns with regard to improprieties relating to financial reporting, internal control or other matters. In the financial year there have been no whistleblowing reports which require changes in the Group's control environment.

The Committee is of the view that the Group continues to operate a well-designed system of internal control.

## INTERNAL AUDIT

The Group's internal audit function comprises a team of four auditors. The purpose of the department is to support the business in its achievement of objectives and facilitate and aid effective risk management. Internal Audit provides assurance that the Group's process for managing internal control is effective and appropriate to the level of risk facing the Group.

The annual internal audit plan is considered and approved each year by the Committee. In reviewing the proposed plan the Committee considers the Group's strategic priorities, specific initiatives which could impact the business and the Group's risk register. The Committee assesses the appropriateness of the internal plan and the resourcing of the function to enable it to deliver it. Progress against the internal audit plan is reviewed at each meeting.

During the year the Chairman of the Committee met privately with the Head of Internal Audit on two occasions to discuss the Internal Audit plan, completed projects, identified issues and resource levels. The Head of Internal Audit reports functionally to the Group Finance Director. In addition the Head of Internal Audit attended each Committee meeting, where his reports were reviewed and discussed in detail. The Committee considered the results of the internal audits and the adequacy of management's response to matters raised in them, including the time taken to resolve any such matters. The Committee were satisfied with both the reports and the responses.

**Steve Rogers**
**Chairman of the Audit Committee**
**8 June 2021**

# Remuneration Committee Report Annual Statement

Dear Shareholders

On behalf of the Remuneration Committee (the Committee) I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2021. This report is in three sections: my statement, a summary of the Directors' remuneration policy approved by the shareholders at the 2020 Annual General Meeting and our annual report on remuneration for the year ended 31 March 2021.

## BACKGROUND

As detailed in the Strategic Report, Covid-19 presented the Board and the Vp senior management teams with a unique set of challenges during the year. In this context profitability was materially lower than prior year but slightly ahead of consensus expectations. Group revenues were down year on year by 15%, with adjusted profit before tax 50% lower. Operational highlights during the year included the securing of a long-term preferred supply agreement with Balfour Beatty Rail, a successful first year of our new long-term contract with Network Rail and a growth in online tool hire rental at Brandon Hire Station, a signal of our continued innovation. The Committee remains optimistic as we move into FY22, with early signs of recovery evidenced by a return of revenues to 95% of pre-Covid levels despite some sectors not yet being fully up to speed.

## APPROVAL OF REMUNERATION POLICY

Following a consultation process the Committee was pleased to receive 87.25% support for the modifications made to our remuneration policy at the 2020 Annual General Meeting. The changes largely focused on updates for changes in investors 'best practice' expectations arising from the 2018 UK Corporate Governance Code at the same time providing the Committee with flexibility to compete for, and retain, talent.

Changes to the policy included the introduction of a new post-employment shareholding requirement and a 5-year time horizon (vesting plus holding period) for the LTIP, each providing further alignment with shareholders. Pensions for new executive directors were reduced to 10% of salary to align more closely with all employees, whilst in respect of existing directors, we committed to reduce pension contributions to a new policy maximum of 15% of salary from 1 April 2022. Finally, we took the opportunity to increase the maximum annual bonus opportunity from 100% to 150% of base salary (with effect from 1 April 2021), to recognise that our total remuneration offering to executive directors had fallen behind peers, but to do so in such a way that reflects our pay-for-performance philosophy.

*Phil White*

## 2020 REMUNERATION OUTCOMES

In approving remuneration outcomes for the year ended 31 March 2021, the Committee took into account the impact of the pandemic on the experience of a range of Vp's stakeholders and the actions taken by management in this regard.

The Committee considers that management responded quickly to the challenges presented by the pandemic and successfully implemented appropriate plans to protect the health, safety and well-being of our employees whilst ensuring that we could continue to serve our customers, some of whom were deemed to be providers of essential services. The Group participated in the UK Government's job retention scheme during H1, but saw a phased return of employees such that by October 2020, none of the workforce remained on furlough. There were, regrettably, a small number of redundancies announced during the year; however, the Committee noted that these were not solely attributable to the pandemic and reflected a previously planned streamlining of divisional operations.

From a shareholder perspective, the Committee noted the strong recovery in Vp's share price over the year, with our closing price on 31 March 2021 of 814p tracking broadly in line with the average share price over the 2019/20 financial year, prior to the pandemic. We announced in June 2020 the deferral of the decision on a final dividend for 2019/20, with an improved cash position allowing the payment of a special dividend in lieu on 17 January 2021. No interim dividend has been paid for the 2020/21 financial year, although management and the Board continue to recognise the importance of income to shareholders and has outlined its intention to maintain the Group's progressive dividend policy.

Overall, the Committee is comfortable that actions taken on pay during the year across the Group (as outlined below) were appropriate and balanced the interests of all stakeholders.

# Remuneration Committee Report Annual Statement

**Base salary**

Due to the uncertainty created by the global pandemic, executive and non-executive directors volunteered to accept a 20% reduction in their salaries and fees between April and June 2020. The Group's senior management also volunteered to accept a 20% reduction in salaries for the same 3-month period.

In line with the group-wide salary increase proposed in the annual April 2020 pay review, the Committee approved a 2% salary increase for Neil Stothard and Allison Bainbridge. Due to the pandemic, and again in line with the rest of the Group, this award was deferred until 1 October 2020.

**Annual bonus**

Targets for annual bonus payments are set by the Committee at the beginning of the financial year and are based upon growth in Group profit before tax, amortisation and exceptional items (PBTAE).

The targets are stretching and generally look for year-on-year growth, with entry thresholds set in line with the Group's budget PBTAE for the relevant financial year. The level of challenge in the target setting process was highlighted in the financial year 2019/20 when adjusted profits of £47.1m were delivered but the threshold for any bonus payment was not achieved.

At the beginning of the 2020/21 financial year, in April 2020, the impact of the Covid-19 pandemic made it extremely difficult to predict financial outcomes. At that time, base case forecast PBTAE was £7.6m which was significantly below the £47.1m achieved in 2019/20 (our highest ever) and the budget for 2020/21. Consequently, target setting for the 2020/21 annual bonus scheme was deferred to the half-year. In September 2020, the Committee approved a PBTAE target range of £17.0 million (threshold) to £23.0 million (maximum), which was considered to be suitably stretching and motivational based on latest available forecasts at the time. Recognising that achieving even the stretch target for 2020/21 would reflect a year-on-year decline in PBTAE, the Committee resolved to reduce the maximum opportunity available to executive directors from 100% of salary to 75% of salary. Actual PBTAE achieved was £23.3 million and a bonus of 75% of salary was therefore earned by each executive director under the scheme.

A similar approach to target setting was taken in respect of other Group and divisional participants to ensure fairness and alignment.

**LTIP**

With regards to our long-term incentive, the stretching performance targets applying to the July 2018 award were not met due to the impact of Covid-19 on EPS performance in the year ended 31 March 2021. Reflecting the experience of stakeholders, and recognising the smaller, more senior employee population covered by this incentive, the Committee agreed that there should be no adjustment to the targets applying to the 2018 LTIP. Accordingly, all of these awards will lapse in July 2021.

In respect of other outstanding LTIP cycles (performance periods ending 31 March 2022 and 31 March 2023), the Committee will consider the appropriateness of adjusting the original target ranges (both upwards and downwards) to ensure they remain as stretching as originally intended. Alternatively, the Committee may elect to instead assess whether the use of discretion would be appropriate based on all relevant considerations at the time of vesting. Further details of any such considerations will be included in the relevant annual report on remuneration in future years.

## IMPLEMENTATION OF POLICY FOR 2021/22

**Base salary**

Following a review of the executive directors' base salaries, the Committee approved an increase of 2% for Neil Stothard and Allison Bainbridge with effect from 1 April 2021, in line with the wider workforce.

**Pensions**

From 1 April 2021, Jeremy Pilkington's pension contribution will reduce from 25% to 20% of base salary and Neil Stothard's will reduce from 17.5% to 15% of base salary.

**Annual bonus**

In line with the new policy maximum from 1 April 2021, the maximum bonus opportunity will increase to 150% of base salary for all executive directors. Bonuses will be based on challenging growth targets for profit before tax, amortisation and exceptional items derived from the group's budget, with the maximum payout target set at a level which appropriately reflects the increase in maximum opportunity available. Details of the target range and Vp's performance will be disclosed in next year's report.

**LTIP**

The maximum LTIP award in 2021 will remain at 100% of salary for all executive directors. Consistent with past awards, the extent to which any LTIP awards granted in 2021 will vest will be dependent upon the achievement of challenging EPS growth targets, underpinned by Group ROACE. Noting the preferences of some shareholders, the Committee considered the prospective disclosure of the target range but has concluded that this is commercially sensitive information which would put the Company at a disadvantage. Full details will therefore continue to be disclosed retrospectively in the report detailing the vesting of these awards.

# Remuneration Committee Report Annual Statement



## EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

In setting the remuneration policy for Directors, the pay and conditions of other employees of Vp plc were taken into account, including any base salary increases awarded. The Remuneration Committee has not expressly sought the views of employees and no remuneration comparison measurements were used when drawing up the policy. Through the Board, however, the Remuneration Committee is updated as to employee views on remuneration generally.

## RESPONSIBILITIES AND ACTIVITIES

The Committee held meetings in the year timed to ensure the proper discharge of the activities described below. The Executive Chairman and the Chief Executive both attend these meetings, although they are not present when their own remuneration is discussed.

The Remuneration Committee is responsible for determining the overall policy for Executive remuneration which is then subject to Board and shareholder approval. Within the context of the shareholder-approved policy, the Committee is then responsible for determining the specific remuneration packages for the executive directors. This incorporates review of salaries as well as determining opportunities under incentive plans and performance conditions relating to those plans. Activities also include the determination of terms for any executive leaving or joining the Board.

## SUPPORT TO THE COMMITTEE

During the year, the Committee sought external professional advice in respect of the annual remuneration report. The Committee is satisfied that the advice provided is independent and objective.

## CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee takes the views of the shareholders very seriously and these have been influential in shaping remuneration policy and practice. Shareholders' views are considered when evaluating and setting on-going remuneration strategy and the Remuneration Committee commits to consulting with shareholders prior to any significant changes to the remuneration policy.

## ALIGNMENT WITH SHAREHOLDERS

We continue to be mindful of our shareholders' interests. Our share ownership guidelines and claw-back provisions for the annual bonus and long-term incentive scheme support an on-going commitment to the business from our executives, and continued alignment of shareholder and executive objectives.

We are proud of the support we have received in the past from our shareholders, with 98.4% approval for our Annual Statement and Remuneration Report last year.

This report has been approved by the Board and is signed on its behalf by:

**Phil White**
**Chairman Remuneration Committee**
**8 June 2021**

# Directors' Remuneration Policy (unaudited)

## DIRECTORS / REMUNERATION POLICY

This part of the directors' remuneration report sets out a summary of the remuneration policy approved by shareholders at our July 2020 Annual General meeting and effective from that date. It is intended that the policy will formally apply for three years beginning on the date of approval.

## POLICY OVERVIEW

The Group aims to balance the need to attract, retain and motivate executive directors of a high calibre with the need to be cost effective, whilst at the same time appropriately rewarding performance. The Committee has designed a remuneration policy that balances those factors, taking account of prevailing best practice, investor expectations and the level of remuneration and pay awards made generally to employees of the Group. Our remuneration policy is consistent with the six principles set out in Provision 40 of the 2018 Code, namely:

- The policy is clear, simple and easy to understand, with a single short- and long-term incentive and a small number of important financial targets;
- The design of the policy reflects our risk appetite, with the new LTIP holding period, the shareholding requirements and the clawback provisions support long-term decision making;
- Incentives are clearly and appropriately capped. The balance of pay is aligned with market norms and a significant proportion is dependent on the achievement of stretching short- and long-term targets;
- Performance measures are aligned with our strategy and culture.

## FUTURE POLICY TABLE FOR DIRECTORS

| ELEMENT | PURPOSE AND LINK TO THE STRATEGY | OPERATION | OPPORTUNITY | PERFORMANCE METRICS |
|---|---|---|---|---|
| **Base salary** | To attract, retain and motivate individuals with skills and experience required to deliver the strategy. To provide a competitive fixed reward. | Base salaries are reviewed annually, and any changes are normally effective from 1 April in the financial year. | The Committee considers average increases across the Group. Current salary levels are set out on page 48. | None. |
| **Pension** | To provide retirement benefits. | All executives are either members of a defined contribution scheme or receive a cash allowance in lieu of pension contribution. | The maximum pension contribution for existing executive directors will transition to 15% of base salary by April 2022. Currently the Executive Chairman receives a cash equivalent pension contribution of 25% of base salary. Other current executive directors receive a pension contribution of 15% of base salary or an equivalent cash allowance.<br>The maximum pension contribution for an executive director appointed after the date of this policy is approved by shareholders will be limited to 10% of base salary. | None. |
| **Taxable Benefits** | To provide market consistent benefits. | Cost of providing benefits paid monthly or as required for one off events. | Car allowance, health insurance and other benefits paid from time to time. | None. |
| **Annual Bonus** | To incentivise achievement of demanding performance targets. | Annual bonuses are generally paid three months after the end of the financial year to which they relate.<br>Clawback provisions apply in the event of a material misstatement of the results | Up to 150% of base salary from 1 April 2021. | Growth in profit before tax, amortisation and exceptional items. |

## FUTURE POLICY TABLE FOR DIRECTORS (continued)

| ELEMENT | PURPOSE AND LINK TO THE STRATEGY | OPERATION | OPPORTUNITY | PERFORMANCE METRICS |
|---|---|---|---|---|
| **Long Term Incentive Plan** | To drive sustained long term performance that supports the creation of shareholder value. | Annual grant of nil cost options which normally vest after 3 years based on the achievement of profit targets, a minimum ROACE requirement and continual service.<br>For awards made from 1 April 2021 an additional holding period applies so that the total vesting and holding period is at least 5 years. Shares, subject to awards may accrue dividend equivalents.<br>Sufficient shares can be sold at the end of three years to cover tax liabilities.<br>The LTIP award to Jeremy Pilkington to be in notional shares settled by cash.<br>Clawback provisions apply in the event of a material misstatement of the results. | Up to 100% of base salary. | Subject to a vesting period of three years and the achievement of target growth in EPS over a three year period.<br>Minimum ROACE requirement, currently set at 12%. |
| **Share Matching Scheme** | To encourage share ownership and alignment with shareholders. | Annual grant of nil cost options in proportion to the number of shares purchased by an executive director from their own funds.<br>Clawback provisions apply in the event of a material misstatement of the results. | Maximum award of shares to the value of 10% of salary.<br>Jeremy Pilkington does not participate in this scheme. | Achievement of target growth in EPS over a three year period and a minimum ROACE, currently set at 12%. |
| **Save As You Earn** | To encourage share participation in the entire workforce. | HMRC approved plan under which regular monthly savings are made over a 3 year period and can be used to fund the exercise of an option whereby the exercise price is discounted by up to 20%. | Maximum permitted savings of £300 per month across all ongoing share save contracts in line with current legislation. | None. |
| **Share Ownership Guidelines** | To increase alignment between executives and shareholders. | Shareholding to be built up over 5 years. | 100% of salary for executive directors. From 1 April 2021 executive directors will also be required to retain shares to the lower of 100% of salary or their actual shareholding at the time employment ceases. The shares must be held for one year post-employment. | None. |
| **Non-executive director Fees** | Reflects time commitments and responsibilities and fees paid by similar sized companies. | Cash fees paid, reviewed on an annual basis. | No prescribed maximum annual increase. | None. |

**Notes to the policy table**

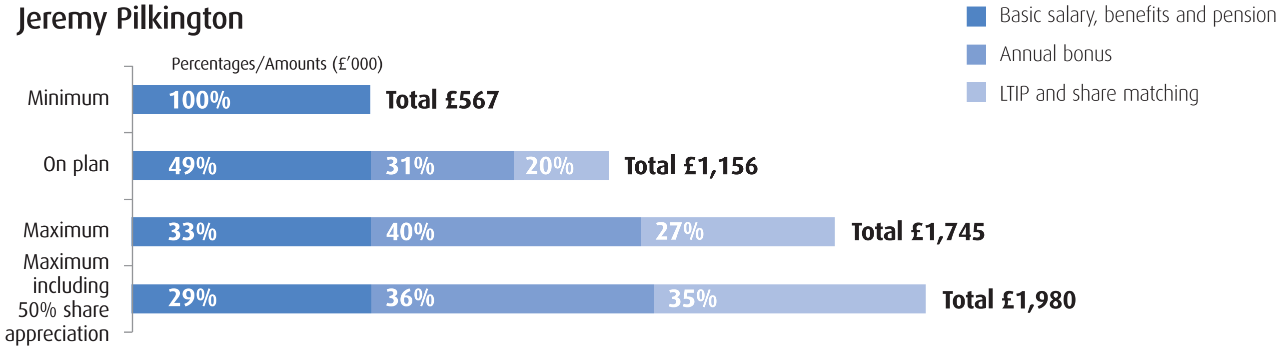
The performance targets are determined annually by the Committee and are set at a challenging level. The Committee is of the opinion that the performance targets for the annual bonus are commercially sensitive and that it would be detrimental to the interests of the Group to disclose them before the start of the financial year. The targets will be disclosed after the end of the relevant financial year in that year's remuneration report.

# Directors’ Remuneration Policy (unaudited)

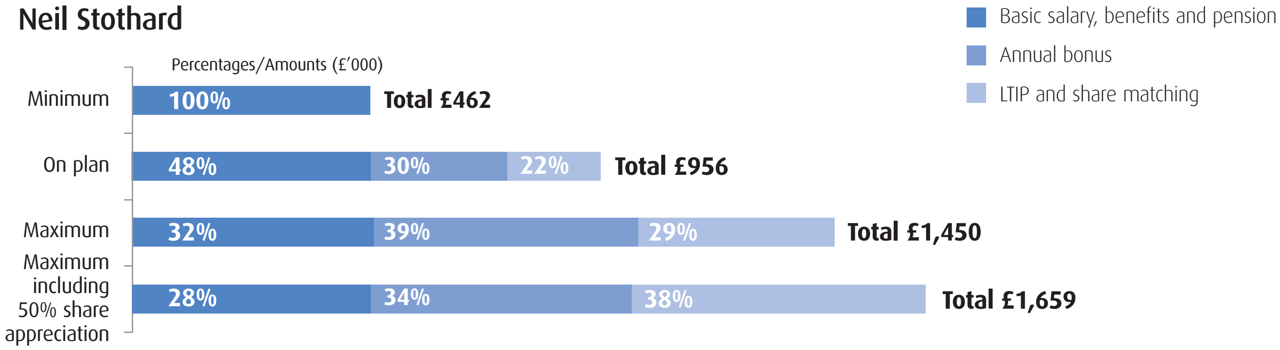
## ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The chart below illustrates the total remuneration for each executive director that could result from the proposed remuneration policy in 2021/22 under different performance scenarios.

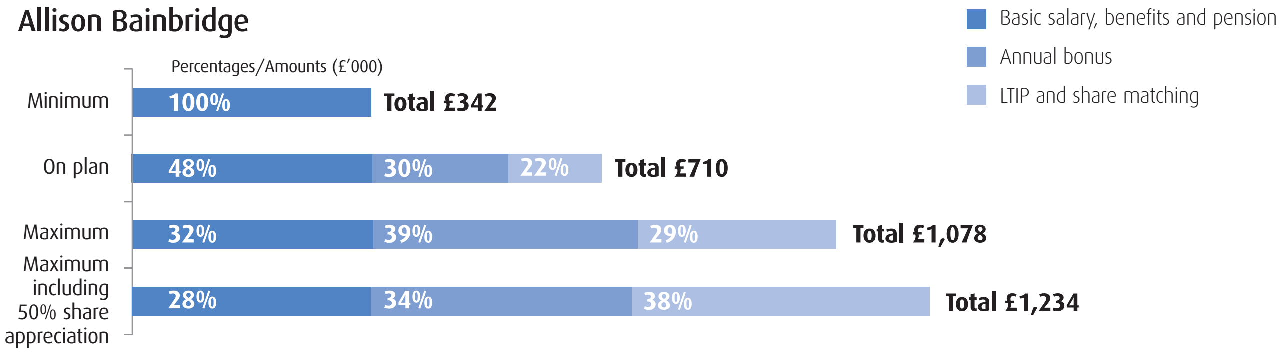
### Jeremy Pilkington




### Neil Stothard




### Allison Bainbridge




The value of base salary for 2021/22 is set out in the Base Salary table on page 48.

The value of taxable benefits in 2021/22 is taken to be the value of taxable benefits received in 2020/21 as shown in the single total figure of remuneration table set out on page 45. On plan performance assumes bonus payout of 75% of salary and LTIP and share matching scheme vesting at 50% of maximum award. Maximum performance assumes bonus pay out of 150% of base salary and LTIP and share matching schemes vesting at 100% of maximum award. Share price appreciation has been included in the fourth scenario at an assumed 50%.

# Directors' Remuneration Policy (unaudited)

## CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

Our approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies.

Most employees are eligible to participate in an annual bonus scheme. The maximum opportunities available are based upon the seniority and responsibility of the role with business area specific metrics incorporated where appropriate.

Certain senior managers can qualify to participate in the LTIP and share matching schemes. Performance conditions are consistent for all participants, while award sizes vary by organisational level.

Employees can qualify to participate in approved and unapproved share option schemes whereby they are granted rights to acquire shares at a predetermined price, which cannot be less than the midmarket price on the dealing day immediately before the date of the award. Awards under these schemes are not granted to executive directors.

All UK employees are eligible to participate in the Company's SAYE scheme on the same terms.

## APPROACH TO RECRUITMENT

The Group operates in a highly competitive market. The Committee's approach to remuneration on recruitment is to pay sufficient to attract appropriate candidates to the role.

The package of a new executive director is likely to include the same elements, and be subject to similar constraints as those of existing executive directors.

The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer on a like-for-like basis. In doing so, the Committee will consider relevant factors including time to vesting, any performance conditions attached to these awards and the likelihood of those conditions being met. Any such 'buy-out' awards will typically be made under existing annual bonus and LTIP schemes, although in exceptional circumstances the Committee may exercise discretion under Listing Rule 9.4.2R to make awards using a different structure. Any 'buy-out' awards would have a fair value no higher than the awards forfeited.

# Directors' Remuneration Policy (unaudited)

## DATE OF DIRECTORS' SERVICE CONTRACTS OR LETTER OF APPOINTMENT

| Director | Date of service contract/letter of appointment |
|---|---|
| Jeremy Pilkington | 10 June 2002 |
| Neil Stothard | 10 June 2002 |
| Allison Bainbridge | 15 February 2011 |
| Steve Rogers | 10 September 2008 |
| Phil White | 15 April 2013 |

The service agreements of the executive directors are terminable by either the Company or the director on twelve months' notice. The contracts contain no specific provision for compensation for loss of office, other than an obligation to pay salary and benefits for any notice period waived by the company. Non-executive directors are appointed under letters of appointment that may be terminated on six months' notice. There were no other significant contracts with directors.

The terms and conditions of appointment of non-executive directors are available for inspection by any person at the Company's registered office during normal business hours and at the AGM.

## APPROACH TO LEAVERS

The Company's policy is to limit severance payments on termination to pre-established contractual arrangements. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company, where pay is defined as salary plus benefits only.

In the event an executive leaves (other than a good leaver), non-vested LTIP and share matching awards will normally lapse. For good leavers unvested awards will vest on the normal vesting date subject to the achievement of any relevant performance condition and with pro-rata reduction to reflect the proportion of the vesting period served.

The Committee retains discretion to alter these provisions on a case-by-case basis following a review of circumstances and to ensure fairness for both shareholders and participants.

## POLICY ON EXTERNAL APPOINTMENTS

Executive Directors are encouraged to hold a Non-Executive role in addition to their full-time position in order to broaden their experience, and may retain any fees received in respect of such roles. All appointments must first be agreed by the Committee and must not represent a conflict to their current role. During the year Neil Stothard served as a non-executive director of Wykeland Group and received £25,000 for his services.

During the year Allison Bainbridge served as non-executive director of RPS Group Plc and received £50,000 for her services, having taken a 20% salary reduction for six months.

## CONSIDERATION OF SHAREHOLDER VIEWS

The Committee considers shareholder feedback received at the AGM each year. This feedback, plus any feedback received during other meetings, is then considered as part of the Group's annual review of remuneration policy.

In addition, the Committee will seek to engage directly with major shareholders and their respective bodies should any material changes be made to the remuneration policy.

Details of votes cast for and against the resolution to approve last year's remuneration report and the new remuneration policy are set out on page 51 of the annual report on remuneration.

# Annual Report on Remuneration

The following section provides details of how the remuneration policy was implemented during the financial year ending 31 March 2021 and how it is proposed to be implemented in the financial year ending 31 March 2022. Any information in this section of the report subject to audit is highlighted.

## SINGLE TOTAL FIGURE OF REMUNERATION (audited)

The following table shows a single total figure of remuneration for the year ended 31 March 2021 together with the comparative figures for 2020.

| | | Salaries and fees | Taxable benefits | Pensions | Annual bonus | LTIP value at grant | Share price appreciation (depreciation) | Total fixed pay | Total variable pay | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 | £000 | | | £000 |
| *Executive directors* | | | | | | | | | | |
| **Jeremy Pilkington** | 2021 | 448 | 2 | 112 | 353 | - | - | 562 | 353 | 915 |
| | 2020 | 471 | 3 | 119 | - | 334 | (8) | 593 | 326 | 919 |
| **Neil Stothard** | 2021 | 351 | 25 | 65 | 280 | - | - | 441 | 280 | 721 |
| | 2020 | 366 | 26 | 64 | - | 250 | (7) | 456 | 243 | 699 |
| **Allison Bainbridge** | 2021 | 261 | 17 | 41 | 208 | - | - | 319 | 208 | 527 |
| | 2020 | 272 | 17 | 41 | - | 185 | (4) | 330 | 181 | 511 |
| *Non-executive directors* | | | | | | | | | | |
| **Steve Rogers** | 2021 | 43 | - | - | - | - | - | | | 43 |
| | 2020 | 45 | - | - | - | - | - | | | 45 |
| **Phil White** | 2021 | 43 | - | - | - | - | - | | | 43 |
| | 2020 | 45 | - | - | - | - | - | | | 45 |

## BASE SALARY

Due to the uncertainty created by the global pandemic executive and non executive directors volunteered to accept a 20% reduction in their salaries and fees between April and June. The group's senior management also volunteered to accept a 20% reduction in salaries.

In line with the group wide salary increase proposed in the annual April 2020 pay review, the Committee approved a 2% salary increase for Neil Stothard and Allison Bainbridge. Due to the pandemic and again in line with the rest of the group this award was deferred until 1 October 2020.

## TAXABLE BENEFITS

Taxable benefits consist primarily of company car or car allowance and private health care insurance.

## PENSION BENEFITS

Neil Stothard received 17.5% of base salary and Allison Bainbridge received 15% of base salary in lieu of pension contributions. From 1 April Jeremy Pilkington's payment in lieu of pension contributions transitioned from 25% of salary, bonus and benefits to 25% of base salary.

Further changes to the pension benefits received by executive directors will take place from 1 April 2021, as set out in the Remuneration Policy approved at the 2020 AGM.

## ANNUAL BONUS PAYMENTS

The annual bonus outturn presented in the table was based on Group profit before tax and amortisation targets as measured over the 2021 financial year.

Targets for annual bonus payments typically are set by the Committee at the beginning of the financial year and are based upon growth in Group profit before tax, amortisation and exceptional items (PBTAE). The targets are challenging and normally look for year on year growth with entry thresholds set as a minimum in line with the Group's budget PBTAE for the relevant financial year.

At the beginning of the 2020/21 financial year in April 2020, the impact of the Covid-19 pandemic made it extremely difficult to predict financial outcomes. In April 2020, base case forecast profit before tax, amortisation and exceptional items was 7.6m which was significantly below the £47.1m (highest ever) achieved in 2019/20 and the budget for 2020/21. Consequently, target setting for the 2020/21 annual bonus scheme were deferred to the half year.

# Annual Report on Remuneration

## ANNUAL BONUS PAYMENTS (continued)

In September 2020, the Committee approved a PBTAE target range of £17.0 million (threshold) to £23.0 million (maximum), which was considered to be suitably stretching and motivational based on latest available forecasts at the time. Recognising that achieving even the stretch target for 2020/21 would reflect a year-on-year decline in PBTAE, the Committee resolved to reduce the maximum opportunity available to executive directors from 100% of salary to 75% of salary. Actual PBTAE achieved was £23.3 million and a bonus of 75% of salary was therefore earned by each executive director under the scheme.

| | Maximum (% of salary) | Covid-19 adjusted maximum % salary | PBTAE required for threshold bonus | PBTAE required for maximum bonus | Actual PBTAE | Actual % of salary | Actual bonus £000 |
|---|---|---|---|---|---|---|---|
| | % | % | £m | £m | £m | % | £000 |
| **Jeremy Pilkington** | 100 | 75 | 17.0 | 23.0 | 23.2 | 75 | 353 |
| **Neil Stothard** | 100 | 75 | 17.0 | 23.0 | 23.2 | 75 | 280 |
| **Allison Bainbridge** | 100 | 75 | 17.0 | 23.0 | 23.2 | 75 | 208 |

## VESTING OF LTIP AND SHARE MATCHING AWARDS (audited)

The LTIP amount included in the 2020/21 single total figure of remuneration is in respect of the conditional share award granted in July 2018. Vesting is dependent on earnings per share performance over the three years ended 31 March 2021, achievement of a minimum return on average capital employed of 12% and continued service until July 2021. As a result of the impact of Covid-19 on EPS performance in the year ended 31 March 2021, the stretching performance targets were not met, and these awards will lapse in full.

The performance targets for this award, and actual performance against those targets, was as follows:

| Metric | Performance condition | Threshold target | Stretch target | Actual | % Vesting |
|---|---|---|---|---|---|
| **Earnings per share*** | Normalised EPS compound annual growth rate of 5% pa (0% vesting) 10% pa (100% vesting) | 93.64 pence EPS | 107.59 pence EPS | 46.37 pence EPS | - - |
| **ROACE** | Minimum of 12.0% | 12.0% | N/A | 9.2% | See above |

*EPS is measured on a net basis, in accordance with International Financial Reporting Standards, but assuming a fixed corporation tax charge on profits currently at the rate of 20% 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 over the three years, in this case 40.154 million shares.

Return on average capital employed is calculated by dividing the profit before tax, interest, amortisation and exceptional items 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.

The LTIP award details for the executive directors are as follows:

| | Number of shares at grant July 2018 | Number of shares to vest July 2021 | Value at grant | Estimated value of shares vesting |
|---|---|---|---|---|
| | | | £000 | £000 |
| **Jeremy Pilkington** | 43,600 | - | 449 | - |
| **Neil Stothard** | 33,200 | - | 342 | - |
| **Allison Bainbridge** | 24,600 | - | 253 | - |

The award of the LTIP above was based upon the policy of awarding up to an equivalent of 100% of salary. The share price at the time of the award was £10.30.

The Remuneration Committee agreed that there should be no adjustment to the targets applying to 2018 LTIP.

## SHARE SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (audited)

The following awards were granted to executive directors:

| Executive | Scheme | Basis of award granted | Date of grant | Share price at date of grant £ | Number of shares | Face value £000 | Performance Period end date |
|---|---|---|---|---|---|---|---|
| Jeremy Pilkington | | | | | | | |
| | LTIP | 100% of salary | 23 July 2020 | 6.98 | 67,400 | 471 | 31 March 2023 |
| Neil Stothard | | | | | | | |
| | LTIP | 100% of salary | 23 July 2020 | 6.98 | 53,400 | 373 | 31 March 2023 |
| | SAYE | N/A | 16 July 2020 | 7.29 | 616 | 4 | N/A |
| Allison Bainbridge | | | | | | | |
| | LTIP | 100% of salary | 23 July 2020 | 6.98 | 39,700 | 277 | 31 March 2023 |

The share price at the date of grant has been used to calculate the face value of the awards granted.

The performance targets for this award were a normalised compound annual growth rate of 10% as a threshold (0% vesting) and 16% as a stretch target (100% vesting).

## PAYMENTS TO PAST DIRECTORS AND FOR LOSS OF OFFICE

No payments were made to past directors or for loss of office in the year ended 31 March 2021.

## OUTSTANDING SHARE AWARDS (audited)

The table below sets out details of unvested share awards held by executive directors. Details of vested awards are shown in the statement of directors' shareholdings and share interests on page 48.

| Executive | Scheme | Grant date | Exercise price £ | No. of shares at 31 Mar 2020 | Granted during the year | Vested during the year | Lapsed during the year | No. of shares at 31 Mar 2021 | Exercise period | End of performance period |
|---|---|---|---|---|---|---|---|---|---|---|
| Jeremy Pilkington | | | | | | | | | | |
| | Total LTIP | Various | Nil | 152,500 | 67,400 | 38,411 | 15,689 | 165,800 | July 2021 to July 2030 | 31 Mar 2021 to 31 Mar 2023 |
| Neil Stothard | | | | | | | | | | |
| | Total LTIP | Various | Nil | 116,200 | 53,400 | 28,684 | 11,716 | 129,200 | July 2021 to July 2030 | 31 Mar 2021 to 31 Mar 2023 |
| | SAYE | 2017 | 6.96 | 517 | - | - | 517 | - | | N/A |
| | SAYE | 2018 | 8.08 | 445 | - | - | - | 445 | October 2021 to March 2022 | N/A |
| | SAYE | 2019 | 7.11 | 506 | - | - | - | 506 | October 2022 to March 2023 | N/A |
| | SAYE | 2020 | 5.84 | - | 616 | - | - | 616 | October 2023 to March 2024 | N/A |
| | **Total SAYE** | | | **1,468** | **616** | **-** | **517** | **1,567** | | |
| Allison Bainbridge | | | | | | | | | | |
| | Total LTIP | Various | Nil | 86,300 | 39,700 | 21,300 | 8,700 | 96,000 | July 2021 to July 2030 | 31 Mar 2021 to 31 Mar 2023 |
| | SAYE | 2017 | 6.96 | 517 | - | - | 517 | - | | N/A |
| | **Total SAYE** | | | **517** | **-** | **-** | **517** | **-** | | |

## STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS (audited)

| Executive | Shareholding as % of salary at 31 Mar 2021 | Shares beneficially owned at 31 Mar 2021 | Shares beneficially owned at 31 Mar 2020 | Options vested but not yet exercised 31 Mar 2021 | Options vested but not yet exercised 31 Mar 2020 | Unvested LTIP awards[1] | Unvested share matching awards[1] | Outstanding SAYE awards |
|---|---|---|---|---|---|---|---|---|
| Jeremy Pilkington | * | 29,220 | 29,220 | 239,411 | 201,000 | 165,800 | - | - |
| Neil Stothard | 1839% | 858,548 | 790,164 | - | 159,700 | 129,200 | - | 1,567 |
| Allison Bainbridge | 406% | 141,078 | 68,150 | - | 116,300 | 96,000 | - | - |
| Steve Rogers | - | - | - | - | - | - | - | - |
| Phil White | - | - | - | - | - | - | - | - |

[1] *Unvested LTIP and share matching awards are subject to performance conditions*

The share price used to calculate the value of shares beneficially owned for the purposes of establishing shareholding as a percentage of salary is the share price as at 31 March 2021: £8.14.

*During the year Jeremy Pilkington was interested in shares owned by Ackers P Investment Company Limited. This company is ultimately controlled by a number of trusts of which, for the purposes of Sections 252 to 255 of the Companies Act 2006, Jeremy Pilkington is deemed to be a connected person. As at 31 March 2021 Ackers P Investment Company Limited owned 20,181,411 shares (2020: 20,181,411 shares).

The LTIP awards outstanding in respect of Jeremy Pilkington are notional shares which would be settled by a cash payment.

The executive directors are each in compliance with the Company's requirements to hold shares equivalent to at least 100% of salary.

There were no changes in the interests of the directors between 31 March 2021 and 8 June 2021.

## IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE YEAR ENDING 31 MARCH 2022 (unaudited)

A summary of how the directors' remuneration policy will be applied during the year ended 31 March 2022 is set out below.

## BASE SALARY AND FEES

The Committee approved a 2% increase in base salary for Neil Stothard and Allison Bainbridge from 1 April 2021, in line with the average salary increase across the Group. No increases are proposed for the Executive Chairman, nor for the non-executive directors

| | 1 April 2021 | 1 October 2020 | 1 April 2020 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | % increase |
| Jeremy Pilkington | 471 | 471 | 471 | **0%** |
| Neil Stothard | 380 | 373 | 366 | **2%** |
| Allison Bainbridge | 283 | 277 | 272 | **2%** |
| Steve Rogers | 45 | 45 | 45 | **0%** |
| Phil White | 45 | 45 | 45 | **0%** |

As outlined on page 45, a salary increase averaging 2% across the Group was proposed at the annual 2020 pay review, which would have been effective from 1 April 2020. However, due to Covid-19 this increase was deferred until 1 October 2020.

# Annual Report on Remuneration

### IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE YEAR ENDING 31 MARCH 2022 (unaudited) – continued

### PENSION ARRANGEMENTS

From 1 April 2022, pensions for current executive directors will be in-line with the policy maximum of 15% of base salary. Pension contributions for new executive directors will be 10% of base salary in order to be more aligned with our workforce. From 1 April 2021 Jeremy Pilkington's pension contribution will be reduced from 25% of base salary to 20% and Neil Stothard's from 17.5% of base salary to 15%.

### ANNUAL BONUS

From 1 April 2021 the maximum bonus potential will increase to 150% of base salary (from 100%). Bonuses will be based on challenging growth targets for profit before tax, amortisation and exceptional items derived from the group's budget, with the maximum payout target set at a level which appropriately reflects the increase in maximum opportunity available.

The Committee is of the opinion that the performance targets for the annual bonus are commercially sensitive and that it would be detrimental to the interests of the Group to disclose them before the start of the financial year. The targets will be disclosed after the end of the relevant financial year in that year's remuneration report.

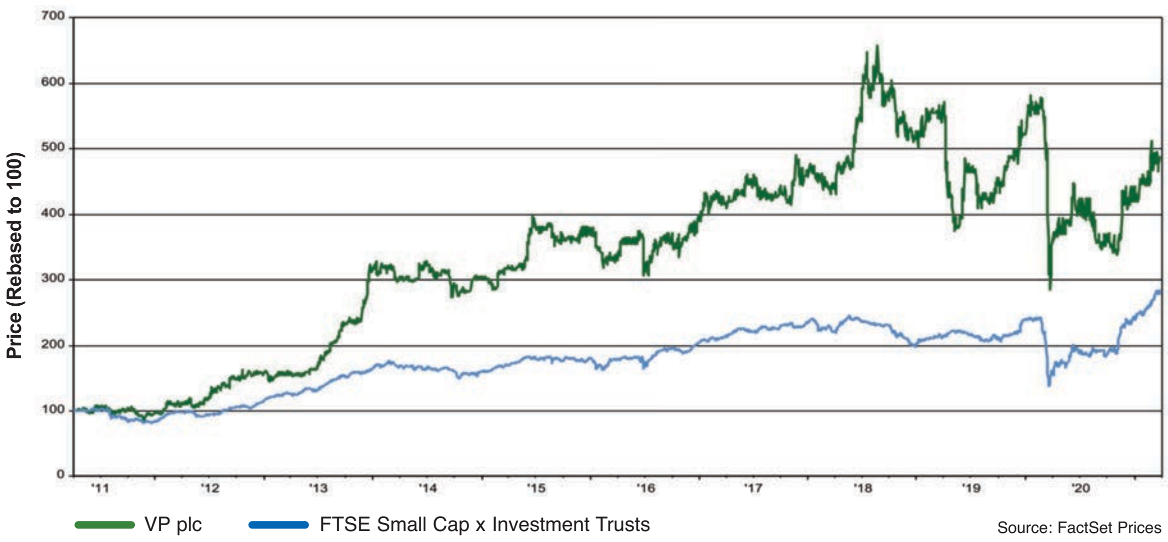
### LONG TERM INCENTIVES

The maximum LTIP award in 2021 will remain at 100% of salary for all executive directors. Consistent with past awards the extent to which any LTIP awards granted in 2021 will vest will be dependent upon the achievement of a challenging target growth in the Group's earnings per share, underpinned by Group ROACE. The Committee considered the prospective disclosure of the EPS target range but has concluded that this is commercially sensitive information which would put the company at a disadvantage. Full details will therefore be disclosed retrospectively in the report detailing the vesting of these awards.

Clawback provisions in the event of significant misstatement of the results will apply to both the annual bonus and the long term incentive.

### PERFORMANCE GRAPH AND TABLE (unaudited)

The following graph charts the Total Shareholder Return of the Group and the FTSE Small Cap Index over the ten year period from 1 April 2011 to 31 March 2021.




The FTSE Small Cap index excluding investment trusts is regarded as an appropriate bench mark for the Group's shareholders. Total shareholder return is defined as the total return a shareholder would receive over the period inclusive of both share price growth and dividends.

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# Annual Report on Remuneration

## PERFORMANCE GRAPH AND TABLE (unaudited) – continued

The total remuneration and award rates of the Executive Chairman across the same period were as follows:

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Single figure (£000)** | 1,919 | 1,795 | 2,042 | 2,259 | 1,613 | 1,580 | 1,498 | 1,770 | 919 | 915 |
| **Annual bonus % of maximum** | 100% | 84% | 52% | 100% | 27% | 72% | 57% | 94% | 0% | 75% |
| **LTIP vesting % of maximum** | 82% | 95.1% | 100% | 100% | 100% | 100% | 100% | 100% | 71% | 0% |

## EXECUTIVE CHAIRMAN PAY RATIO

The table below provides the ratio between the Executive Chairman single figure total remuneration and total remuneration for all UK employees and the details of the salary and total remuneration for UK employees in 2020/21. We have chosen option B as our method for calculating the pay ratio for this report, consistent with the methodology for reporting of the gender pay gap.

| | | | Pay Ratio | | | Remuneration | | |
|---|---|---|---|---|---|---|---|---|
| | Year | Method | 25th percentile | Median | 75th percentile | 25th percentile | Median | 75th percentile |
| **Total remuneration** | 2021 | B | 44 | 38 | 27 | £20,554 | £24,238 | £33,366 |
| **Salary** | 2021 | B | 23 | 20 | 15 | £20,466 | £23,968 | £30,905 |
| **Total remuneration** | 2020 | B | 44 | 37 | 27 | £20,650 | £24,624 | £33,731 |
| **Salary** | 2020 | B | 23 | 20 | 15 | £20,131 | £23,915 | £30,600 |

The Committee has considered the findings of the pay ratio analysis which appear to be reasonable in the context of the Group's sector and taking into account the composition of the Group's UK workforce against which Executive Chairman's remuneration is compared.

## PERCENTAGE CHANGE IN ALL DIRECTORS REMUNERATION (unaudited)

The table below shows the percentage change in the Executive Chairman's salary, benefits and annual bonus between the financial year ended 31 March 2020 and 31 March 2021 compared to the percentage change for UK employees of the Group for each of these elements of pay.

| | Executive Chairman % change | Chief Executive % change | FD % change | NEDS % change | UK employees % change |
|---|---|---|---|---|---|
| **Salary** | (5%) | (4%) | (4%) | (4%) | 1% |
| **Taxable Benefits** | (33%) | (4%) | - | - | (7%) |
| **Annual Bonus*** | (100%) | (100%) | (100%) | - | (67%) |

The percentage change for UK employees is based upon a consistent set of employees and is calculated using P60 and P11D data.

*To be comparable to the data for the UK employees the annual bonus for the directors disclosed above is the bonus paid in the relevant tax year, which is the bonus in respect of the financial year ended 31 March 2020.

The reduction in directors salary reflects the 20% voluntary reduction in salary and fees between April and June 2020.

## RELATIVE IMPORTANCE OF SPEND ON PAY (unaudited)

The following table shows the Group's actual spend on pay (for all employees) relative to dividends.

| | | 2020 | 2021 | % change |
|---|---|---|---|---|
| **Staff costs** | £m | 121.3 | 108.8 | (10%) |
| **Dividends** | £m | 12.0 | 9.9 | (18%) |

Dividend figures relate to amounts payable in respect of the relevant financial year and reflects the payment in January 2021 of a special dividend in respect of 2019/20.

# Annual Report on Remuneration

## REMUNERATION COMMITTEE (unaudited)

The Group's approach to executive directors' remuneration is determined by the Board on the advice of the Remuneration Committee.

The primary role of the Committee is to:

- Review, recommend and monitor the level and structure of remuneration for executive directors;
- Approve the remuneration packages for executive directors;
- Determine the balance between base pay and performance related elements of the package so as to align directors' interests to those of shareholders.

The Committee's terms of reference are set out on the Company's website.

The members of the Remuneration Committee, all independent non-executive directors, during the year under review were as follows:

- Phil White
- Steve Rogers

Biographical information on Committee members and details of attendance at the Committee meetings during the year are set out on pages 30 and 32. The Remuneration Committee has access to independent advice where it considers appropriate. During 2020/21 the Committee sought external professional advice and is satisfied that the advice provided is independent and objective.

## ANNUAL GENERAL MEETING VOTING OUTCOMES

The following table details votes for and against the 2020 directors' remuneration policy and the directors' remuneration report for 2019/20, along with the number of votes withheld. The Committee will continue to consider the views of shareholders when determining and reporting on remuneration arrangements.

| | Directors' Remuneration Policy 2020 | | Directors' Remuneration Report 2019/20 | |
|---|---|---|---|---|
| **Votes for** | 29,022,433 | (87.25%) | 32,728,510 | (98.39%) |
| **Votes against** | 4,240,672 | (12.75%) | 534,595 | (1.61%) |
| **Votes withheld** | 8,713 | | 8,713 | |

# Directors' Report

**The directors of Vp plc present their annual report and the audited financial statements of the Group and Parent Company for the year ended 31 March 2021.**

## PRINCIPAL ACTIVITIES

The principal activity of the Group is equipment rental and associated services.

## STRATEGIC REPORT

Pursuant to Sections S414C(11) Companies Act 2006, the business review has been replaced with a strategic report, which can be found on pages 1 to 27.

## RESULTS AND DIVIDEND

Group loss after tax for the year was £4.6 million (2020: profit £18.6 million). The directors recommend a final dividend of 25.0 pence per share. The final dividend will be paid on 5 August 2021 to all shareholders on the register as at 25 June 2021.

## DIRECTORS

Details of the directors of the Company who were in office during the year and up to the date of signing the financial statements are given on page 30. Details of directors' interests in shares are provided in the Directors' Remuneration Report on page 48. The directors' exposures to conduct and liability issues are mitigated by Directors and Officers insurance cover where applicable during the financial year.

## SHARE CAPITAL

Details of the Company's share capital structure are shown in note 20 to the accounts. All shares have the same voting rights. There are no restrictions on the transfer of shares in the Company or restrictions on voting rights.

## SUBSTANTIAL SHAREHOLDERS

As at 2 June 2021 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 |
| **Schroders plc** | 1,804,589 | 4.49 |
| **Discretionary Unit Fund Managers Limited** | 1,800,000 | 4.48 |
| **Canaccord Genuity Group Inc.** | 1,750,000 | 4.36 |
| **Invesco Asset Management Ltd.** | 1,560,473 | 3.89 |
| **Tellworth Investments** | 1,420,450 | 3.54 |
| **J P Morgan Chase & Co.** | 1,400,253 | 3.49 |

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

## FINANCIAL RISK MANAGEMENT

Consideration of the financial risk management of the Group has been included in the Strategic Report on pages 26 to 29.

## OVERSEAS BRANCH

The Group has one operating branch of a UK registered company operating in another country within the EU, namely a branch of Hire Station Limited operating in the Netherlands.

# Directors' Report

## DISCLOSURE OF INFORMATION UNDER LISTING RULE 9.8.4.

The directors confirm that the Company has entered into a relationship agreement with Ackers P Investment Company Limited (a controlling shareholder) and has complied with the independence provisions of the agreement. As far as the directors are aware, the controlling shareholder and its associates have also complied with the independence provision.

Pursuant to listing rule 9.8.4C the Company is required to disclose that an arrangement is in place whereby the trustee of the Company employee benefit trust has agreed to waive present and future dividend rights in respect of certain shares that it holds.

## 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.

Further details regarding employees are provided in the Responsible Business Report on pages 15 to 22.

## POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political contributions during the year. Donations to charities amounted to £41,000 (2020: £50,000). 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 2021 was 46 days (2020: 46 days). This figure fluctuates dependent on the creditor position for fleet purchases at the year end compared to the average purchases during the year.

## TAXATION PRINCIPLES

We operate in accordance with our Tax Principles, which can be found at: **www.vpplc.com**

In 2020/21 the Group paid £2.9 million (2020: £10.7 million) in corporate taxes. We are a responsible corporate tax payer and conduct our affairs to ensure compliance with all laws and relevant regulations in the countries in which we operate.

## CONTRACTS

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

## PURCHASE OF OWN SHARES

A resolution is to be proposed to the Company's shareholders at the AGM to authorise the Company to purchase its own shares up to a maximum of 10% of the Company's issued share capital either to be cancelled or retained as treasury shares. This resolution 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 is set out in Resolution 11(b) and 11(c) of the Notice of Meeting. The directors undertake to shareholders that they will only exercise this power after careful consideration, taking into account the financial resources of the Company, future funding opportunities and the price of the Company's shares. The directors 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.

During the year ended 31 March 2021 the Company did not acquire any shares under the authority of the resolution passed at the Annual General Meeting.

# Directors' Report

## GOING CONCERN

Notwithstanding the impact of Covid 19, the Group ended the financial year in a healthy financial position. The Group continues to generate strong cash flows and net debt reduced by £37.9 million from £159.8 million at 31 March 2020 to £121.9 million at 31 March 2021. EBITDA before exceptional items and IFRS 16 impact totalled £72.7 million which was lower than prior year £98.1 million due to the impact of Covid 19. The Business Review above sets out the Group's business activities, markets and outlook for the forthcoming year and beyond.

The Group finances its operations through a combination of shareholders' funds, bank borrowings, finance leases and operating leases. The capital structure is monitored using the gearing ratio of adjusted Net Debt/EBITDA. The Group's funding requirements are largely driven by capital expenditure and acquisition activity.

As at 31 March 2021 the Group had £200.0 million of debt capacity (2020: £200.0 million) comprising committed revolving credit facilities of £135.0 million and a £65.0 million private placement which are subject to covenant testing. In addition to the committed facilities, the Group net overdraft facility at the year-end was £7.5 million (2020: £7.5 million).

The £135.0 million revolving credit facilities were due to mature in December 2021. Consequently in April 2021, the Group drew down a new £28.0 million seven year private placement under the existing agreement with PGIM, Inc. In June 2021, the Group also refinanced its £135.0 million committed revolving credit facilities with a new £90.0 million facility. The new revolving credit facility agreement also includes a £20.0m uncommitted accordion facility. Management are in regular dialogue with our lenders who continue to express their commitment to the business.

The Board has evaluated the facilities and covenants on the basis of the budget for 2021/22 (including 2022/23 long term forecast). All of which has been prepared taking into account the current economic climate, together with appropriate sensitivity analysis. Stress scenarios have also been considered by the Board. Under these scenarios material revenue reductions have been applied for the financial year ended 31 March 2022 against the Group's original budget. All scenarios retain adequate headroom against borrowing facilities and fall within the existing covenants.

Our most severe downside modelling, which reflects a 20% reduction in revenue levels demonstrates headroom over borrowing facilities and existing covenant levels throughout the forecast period to the end of June 2022.

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 preparation of the consolidated financial statements.

## GOVERNMENT SUPPORT

During the year, amounts received from the Government as part of the Job Retention Scheme were passed through to furloughed employees. This is further explained in note 3. Where appropriate, the Group also took government support from tax deferrals on VAT/PAYE and from Business Rates relief.

## CORPORATE GOVERNANCE

The Corporate Governance Statement on pages 31 to 33 forms part of the Directors' Report.

## INDEPENDENT AUDITORS

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

By Order of the Board

**Allison Bainbridge**
**Company Secretary**
**8 June 2021**

# Statement of Directors' Responsibilities

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

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Parent Company has also prepared financial statements in accordance with and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, 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 the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Parent Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in governance section of the annual report confirm that, to the best of their knowledge:

- The Group and Parent Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the group and profit of the parent company; and
- The Business Review and Financial Review includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- So far as the director is aware, there is no relevant audit information of which the group's and parent company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and parent company's auditors are aware of that information.

# Independent Auditors' Report to the Members of Vp plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Vp plc's group financial statements and parent company financial statements (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 2021 and of the group's loss and the group's and parent company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and parent company balance sheets as at 31 March 2021; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity and the consolidated and parent company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the group and parent company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group and parent company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 3, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

### Our audit approach

#### *Overview*

<table>
<tr><td rowspan="3">
</td>
<td>• The group is organised into 12 reporting units. The group financial statements are a consolidation of these reporting units.<br>• Of the 12 reporting units, we identified four which, in our view, required an audit of their complete financial information.<br>• The reporting units over which we performed audit procedures accounted for over 88% of the group's external revenues and 92% of the group's profit before tax, amortisation and exceptionals.</td></tr>
<tr><td>• Existence of rental equipment (group and parent)<br>• Valuation of rental equipment (group and parent)<br>• Impact of COVID-19 (group and parent)<br>• Risk of impairment to assets – Goodwill and acquired intangible assets (group and parent)</td></tr>
<tr><td>• Overall group materiality: £1,944,000 (2020: £2,400,000) based on 5% of a three year average of profit before tax, amortisation and exceptionals.<br>• Overall parent company materiality: £706,000 (2020: £950,000) based on 5% of a three year average of profit before tax, amortisation and exceptionals.<br>• Performance materiality: £1,458,000 (group) and £530,000 (parent company).</td></tr>
</table>

# Independent Auditors' Report to the Members of Vp plc (continued)

### *The scope of our audit*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

### *Key audit matters*

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Risk of impairment to assets – Goodwill and acquired intangible assets is a new key audit matter this year. Provision in respect of Competition and Markets Authority (CMA) investigation (group and parent), which was a key audit matter last year, is no longer included because of the matter reaching a conclusion during the year and therefore no provision remaining at the year end date. Otherwise, the key audit matters below are consistent with last year.

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| ***Existence of rental equipment – group and parent***<br>Refer to page 35 (Significant accounting issues) and note 9 in the financial statements. We focused on this area because the group and parent company hold a significant quantum and carrying amount of rental equipment in the normal course of their business.<br>The net book value of rental equipment was £206.1 million and £96.0 million as at 31 March 2021 (2020: £218.1 million and £102.4 million) for the group and parent company respectively. Given the volume of assets and the frequency of movement (through purchases, hires and sales) there is the potential for assets to go missing. This results in complexity in maintaining an accurate fixed asset register. | Our audit work in respect of the existence of rental equipment included understanding and evaluating management's key controls in this area, confirming the correct recording of rental asset movements on the fixed asset register on a sample basis and substantively testing the existence of a sample of assets.<br>For a sample of rental equipment purchases in the year we agreed to invoice and capitalisation onto the fixed asset register, confirming the value and the useful economic life applied. We agreed a sample of rental equipment out on hire to invoice and delivery notes. We attended a sample of year end rental equipment counts and:<br>• considered the design and effectiveness of count controls by understanding and observing the count procedures; and<br>• counted a sample of assets and reconciled these to both management's count and the fixed asset register.<br>For a sample of revenue resulting from the hire of rental equipment to customers we have also agreed to sales invoice and either a despatch note or cash receipt which provides us with evidence of existence over the underlying asset.<br>We found, based on the results of our testing, that the amounts recorded, and disclosures made in the financial statements were consistent with the supporting evidence obtained. |
| ***Valuation of rental equipment – group and parent***<br>Refer to page 35 (Significant accounting issues), page 76 (Significant accounting policies) and note 9 in the financial statements. We focused on this area because there is significant management judgement involved in estimating the useful economic lives, residual values and any impairment of the rental assets.<br>The utilisation of rental equipment is key to supporting its valuation, so if there were a downturn in the trading performance in a particular market or reporting unit, this would present an inherent impairment risk. | Our audit work in respect of the valuation of rental equipment comprised an assessment of the accuracy of estimates made by management in previous years, testing of utilisation statistics, integrity checks over the underlying fixed asset data and budgeted trading performance to determine the appropriateness of management's estimates.<br>We tested the appropriateness of the useful economic lives and estimated residual values applied on a sample basis through consideration of any profits/losses on disposal of rental equipment and the level of fully written down assets still generating revenue, noting no evidence of systematic over or under depreciation of the assets.<br>We tested the integrity of the data held within the fixed asset registers, given the reliance upon this information for management's impairment analysis. This comprised scanning the entire population of assets for inappropriate entries (such as assets with a useful economic life inconsistent with the type of asset) or evidence that the useful economic life assigned is not being applied correctly in the fixed asset register.<br>We found, based on the results of our testing, that the amounts recorded, and disclosures made in the financial statements were consistent with the supporting evidence obtained. |

## *Key audit matters (continued)*

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| ***Impact of COVID-19 (group and parent)***<br>Refer to page 23 for the impact of COVID-19 on the group's and parent company's financial performance during the year. COVID-19 was declared a global pandemic by the World Health Organisation on 11 March 2020 and the on-going response is having an unprecedented impact on the economy which has been considered as part of the audit. Management have considered the implications across the business, including the going concern assessment, the impact on asset impairment assessments, and appropriate disclosures in the Annual Report.<br>In respect of the going concern assessment, management have prepared detailed analyses to assess the potential impact on revenue, profit and cash flows of a severe but plausible downside risk scenario. This analysis includes consideration of the group's liquidity and loan covenants, which are based on the ratio of net debt to EBITDA and interest cover. In doing so, management have made assumptions that are critical to the outcome of these considerations. Because of its significance to the financial statements and to our audit, we determined that management's consideration of the potential impact of COVID-19 on going concern is a key audit matter. We also determined that the potential impact of COVID-19 on asset impairments is a key audit matter. | Our audit procedures performed in respect of the impact of COVID-19 on management's going concern assessment, and our conclusion in respect of going concern, are included in the "Conclusions relating to going concern" section below.<br>We have reviewed management's assessment of the impact of COVID-19 on the carrying value of each category of assets and any adjustments made. We evaluated and challenged management on how they reflected the impact on future cash flows of COVID-19 in their impairment analyses and the consistency of their assumptions with the forecasts used in their going concern assessment.<br>We have reviewed management's disclosures in the financial statements in relation to COVID-19 and are satisfied that they are consistent with the risks affecting the group, their impact assessment and the procedures that we have performed. |
| ***Risk of impairment to assets – Goodwill and acquired intangible assets (group and parent)***<br>Refer to page 35 (Significant accounting issues) and note 10 in the financial statements for detailed group and parent company goodwill and intangible assets disclosures. The group has £43.8 million (2020: £50.6 million) of goodwill and £20.6 million (2020: £23.6 million) of acquired intangible assets as at 31 March 2021. The parent company has £9.5 million (2020: £10.4 million) of intangible assets as at 31 March 2021. The carrying value of goodwill is assessed by an annual impairment review with intangible assets at a group and parent company level reviewed for indicators of impairment and if needed an impairment review performed. A £7m impairment charge has been recorded by management in the current year against goodwill held within the group. The risk we have focused on is that these non-current assets could be overstated and a larger impairment charge may be required. We focused on this area because the determination of whether or not these non-current assets are impaired involves subjective judgements and estimates about the future results and cash flows of the business. On an annual basis, management calculate the amount of headroom between the value in use of the group's Cash Generating Units ('CGUs') and their carrying value to determine whether there is a potential impairment of the goodwill and acquired intangibles relating to those CGUs. The value in use of the CGU with respect to goodwill and acquired intangibles within the group and the parent company is dependent on a number of key assumptions which include:<br>• Forecast cash flows for the next five years;<br>• A long-term (terminal) growth rate applied beyond the end of the five year forecast period; and<br>• A discount rate applied to the model. | We understood and evaluated management's budgeting and forecasting process. We obtained the group impairment analysis and tested the reasonableness of the key assumptions, including the following:<br>• We tested the mathematical accuracy of the impairment model and agreed the carrying value of non-current assets being assessed for impairment to the balance sheet;<br>• We challenged management's calculated group weighted average cost of capital (WACC) used for discounting future cash flows within the impairment model, utilising valuation experts to assess the cost of capital for the group and comparable organisations;<br>• We evaluated the historical accuracy of the budgeting process to assess the reliability of the data; and<br>• We traced the forecast financial information within the model to the latest Board approved budget and assessed the rationale for any variances between the two.<br>We have reviewed the financial statement disclosures made with respect to the sensitivity of the WACC, cash flows and growth rates.<br>In summary, we found, based on our audit work, the carrying value of goodwill and acquired intangibles and the impairment charge recognised in the year in respect of goodwill and acquired intangible assets to be acceptable. We also considered the disclosures made within the financial statements and considered these to be appropriate. |

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate. The group's accounting process is structured around a group finance function at its head office in Harrogate which is responsible for the group's reporting units. The group is organised into 12 reporting units and the group financial statements are a consolidation of these reporting units. Of the 12 reporting units, we identified four which, in our view, required an audit of their complete financial information. The reporting units over which we performed audit procedures accounted for over 88% of the group's external revenues and 92% of the group's profit before tax, amortisation and exceptionals. All of the audit procedures have been performed by the group engagement team. In addition, the group audit team performed analytical review procedures over a number of smaller reporting units. This included an analysis of year on year movements, at a level of disaggregation to enable a focus on higher risk balances and unusual movements. This gave us the evidence we needed for our opinion on the financial statements as a whole.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Financial statements - group | Financial statements - parent company |
|---|---|---|
| **Overall materiality** | £1,944,000 (2020: £2,400,000). | £706,000 (2020: £950,000). |
| **How we determined it** | 5% of a three year average of profit before tax, amortisation and exceptionals | 5% of a three year average of profit before tax, amortisation and exceptionals |
| **Rationale for benchmark applied** | We have chosen this as our benchmark as it is a key performance measure disclosed to users of the financial statements. This figure takes prominence in the Annual Report, as well as the communications to both the shareholders and the market. We consider the use of a three year average to provide a more reflective benchmark that considers the impact of the COVID-19 pandemic on the current year results. Based on this, the three-year average of profit before tax, amortisation and exceptional is considered to be an appropriate benchmark. | We have chosen this as our benchmark as it is a key performance measure disclosed to users of the financial statements. This figure takes prominence in the Annual Report, as well as the communications to both the shareholders and the market. We consider the use of a three year average to provide a more reflective benchmark that considers the impact of the COVID-19 pandemic on the current year results. Based on this, the three-year average of profit before tax, amortisation and exceptional is considered to be an appropriate benchmark. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.5m and £1.7m . Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,458,000 for the group financial statements and £530,000 for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.1m (group audit) (2020: £0.1m) and £0.1m (parent company audit) (2020: £0.1m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

# Independent Auditors’ Report to the Members of Vp plc (continued)

## Conclusions relating to going concern

Our evaluation of the directors’ assessment of the group's and the parent company’s ability to continue to adopt the going concern basis of accounting included:

- We obtained from management their latest assessments that support their conclusions with respect to the going concern basis of preparation of the financial statements;
- We evaluated the historical accuracy of the budgeting process to assess the reliability of the data;
- We evaluated management’s base case forecast and severe but plausible downside scenario and challenged the adequacy and appropriateness of the underlying assumptions; and
- In conjunction with the above we have also reviewed management’s analysis of both liquidity and covenant compliance to satisfy ourselves that no breaches are anticipated over the period of assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

In relation to the directors’ reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### *Strategic Report and Directors’ Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### *Directors’ Remuneration*

In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

## Corporate governance statement

The Listing Rules require us to review the directors’ statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company’s compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

# Independent Auditors' Report to the Members of Vp plc (continued)

## Corporate governance statement (continued)

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the governance section of the annual report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## Responsibilities for the financial statements and the audit

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, non-compliance with competition law and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's

# Independent Auditors' Report to the Members of Vp plc (continued)

### *Auditors' responsibilities for the audit of the financial statements* (continued)

incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to deliberate manipulation of results via improper revenue recognition, management bias in key accounting estimates and posting of inappropriate journal entries to improve the group's result for the period. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the valuation of assets;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by unexpected users. Specifically we tested journal entries which increased the group result for the period with unusual offset entries, and we tested a risk based sample of journal entries impacting revenue with unusual offset entries to detect any potentially fraudulent revenue being recognised; and
- Review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators and review of correspondence with legal advisors.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Annual Report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 15 October 2014 to audit the financial statements for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 March 2015 to 31 March 2021.

**Ian Morrison (Senior Statutory Auditor)**
**for and on behalf of PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**
**Leeds**
**8 June 2021**

# Consolidated Income Statement

for the Year Ended 31 March 2021

| | Note | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **Revenue** | 2 | **307,997** | 362,927 |
| Cost of sales | | **(259,887)** | (292,746) |
| **Gross profit** | | **48,110** | 70,181 |
| Administrative expenses | | **(42,427)** | (32,975) |
| **Operating profit before amortisation and exceptional items** | 2 | **30,928** | 55,480 |
| Amortisation and impairment | 10 | **(10,373)** | (16,756) |
| Exceptional items | 4 | **(14,872)** | (1,518) |
| **Operating profit** | 3 | **5,683** | 37,206 |
| Financial income | 7 | **8** | 52 |
| Financial expenses | 7 | **(7,760)** | (8,892) |
| **Profit before taxation, amortisation and exceptional items** | | **23,176** | 46,640 |
| Amortisation and impairment | 10 | **(10,373)** | (16,756) |
| Exceptional items | 4 | **(15,072)** | (1,518) |
| **(Loss)/Profit before taxation** | | **(2,269)** | 28,366 |
| Income tax expense | 8 | **(2,332)** | (9,779) |
| **(Loss)/Profit attributable to owners of the parent** | | **(4,601)** | 18,587 |
| Basic (loss)/earnings per 5p ordinary share | 22 | **(11.62p)** | 46.92p |
| Diluted (loss)/earnings per 5p ordinary share | 22 | **(11.62p)** | 46.17p |
| Dividend per 5p ordinary share interim paid | 21 | **-** | 8.45p |
| Dividend per 5p ordinary share special paid | 21 | **22.0p** | - |

# Consolidated Statement of Comprehensive Income

for the Year Ended 31 March 2021

| | Note | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **(Loss)/Profit for the year** | | **(4,601)** | 18,587 |
| **Other comprehensive income/(expense):** | | | |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Remeasurements of defined benefit pension scheme | 25 | **(795)** | 368 |
| Tax on items taken to other comprehensive income | 8 | **56** | 86 |
| Impact of tax rate change | 8 | **-** | 47 |
| ***Items that may be subsequently reclassified to profit or loss*** | | | |
| Foreign exchange translation difference | | **439** | (1,045) |
| Effective portion of changes in fair value of cash flow hedges | | **584** | (482) |
| **Total other comprehensive income/(expense)** | | **284** | (1,026) |
| **Total comprehensive (expense)/income for the year attributable to owners of the parent** | | **(4,317)** | 17,561 |

# Consolidated Statement of Changes in Equity

for the Year Ended 31 March 2021

| | Note | Share Capital £000 | Capital Redemption Reserve £000 | Share Premium £000 | Hedging Reserve £000 | Foreign Currency Translation £000 | Retained Earnings £000 | Non-controlling Interest £000 | Total Equity £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Equity at 1 April 2019** | | **2,008** | **301** | **16,192** | **(323)** | **(780)** | **151,460** | **27** | **168,885** |
| Total comprehensive income for the year (see page 64) | | - | - | - | (482) | (1,045) | 19,088 | - | 17,561 |
| Tax movements to equity | 8 | - | - | - | - | - | (648) | - | (648) |
| Impact of tax rate change | 8 | - | - | - | - | - | (33) | - | (33) |
| Share option charge in the year | | - | - | - | - | - | 758 | - | 758 |
| Net movement relating to shares held by Vp Employee Trust | | - | - | - | - | - | (2,396) | - | (2,396) |
| Dividend to shareholders | 21 | - | - | - | - | - | (12,055) | - | (12,055) |
| Effect of changes in accounting standards | 1 | - | - | - | - | - | (2,151) | - | (2,151) |
| Total change in equity during the year | | - | - | - | (482) | (1,045) | 2,563 | - | 1,036 |
| **Equity at 31 March 2020 and 1 April 2020** | | **2,008** | **301** | **16,192** | **(805)** | **(1,825)** | **154,023** | **27** | **169,921** |
| Total comprehensive income/(expense) for the year (see page 64) | | - | - | - | 584 | 439 | (5,340) | - | (4,317) |
| Tax movements to equity | 8 | - | - | - | - | - | 165 | - | 165 |
| Share option charge in the year | | - | - | - | - | - | 1,098 | - | 1,098 |
| Net movement relating to shares held by Vp Employee Trust | | - | - | - | - | - | (5,076) | - | (5,076) |
| Dividend to shareholders | 21 | - | - | - | - | - | (8,674) | - | (8,674) |
| Total change in equity during the year | | - | - | - | 584 | 439 | (17,827) | - | (16,804) |
| **Equity as at 31 March 2021** | | **2,008** | **301** | **16,192** | **(221)** | **(1,386)** | **136,196** | **27** | **153,117** |

# Parent Company Statement of Changes in Equity

for the Year Ended 31 March 2021

| | Note | Share Capital £000 | Capital Redemption Reserve £000 | Share Premium £000 | Hedging Reserve £000 | Hive Up Reserve £000 | Retained Earnings £000 | Total Equity £000 |
|---|---|---|---|---|---|---|---|---|
| **Equity at 1 April 2019** | | **2,008** | **301** | **16,192** | **(323)** | **8,156** | **40,488** | **66,822** |
| Total comprehensive income for the year | | - | - | - | (482) | - | 2,806 | 2,324 |
| Tax movements to equity | | - | - | - | - | - | (648) | (648) |
| Impact of tax rate change | | - | - | - | - | - | (33) | (33) |
| Share option charge in the year | | - | - | - | - | - | 758 | 758 |
| Net movement relating to shares held by Vp Employee Trust | | - | - | - | - | - | (2,396) | (2,396) |
| Dividend to shareholders | 21 | - | - | - | - | - | (12,055) | (12,055) |
| Effect of changes in accounting standards | | - | - | - | - | - | (613) | (613) |
| Total change in equity during the year | | - | - | - | (482) | - | (12,181) | (12,663) |
| **Equity at 31 March 2020 and 1 April 2020** | | **2,008** | **301** | **16,192** | **(805)** | **8,156** | **28,307** | **54,159** |
| Total comprehensive income for the year | | - | - | - | 584 | - | 454 | 1,038 |
| Tax movements to equity | | - | - | - | - | - | 165 | 165 |
| Share option charge in the year | | - | - | - | - | - | 1,098 | 1,098 |
| Net movement relating to shares held by Vp Employee Trust | | - | - | - | - | - | (5,076) | (5,076) |
| Dividend to shareholders | 21 | - | - | - | - | - | (8,674) | (8,674) |
| Total change in equity during the year | | - | - | - | 584 | - | (12,033) | (11,449) |
| **Equity at 31 March 2021** | | **2,008** | **301** | **16,192** | **(221)** | **8,156** | **16,274** | **42,710** |

# Consolidated Balance Sheet

at 31 March 2021

| NET ASSETS | Note | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **233,912** | 247,761 |
| Intangible assets | 10 | **64,366** | 74,267 |
| Right of use assets | 11 | **53,311** | 68,566 |
| Employee benefits | 25 | **2,175** | 3,018 |
| **Total non-current assets** | | **353,764** | 393,612 |
| **Current assets** | | | |
| Inventories | 13 | **7,342** | 9,073 |
| Trade and other receivables | 14 | **66,546** | 84,263 |
| Income tax receivable | | **817** | 1,003 |
| Cash and cash equivalents | 15 | **15,917** | 20,094 |
| **Total current assets** | | **90,622** | 114,433 |
| **Total assets** | | **444,386** | 508,045 |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | 16 | **(73,009)** | (6,161) |
| Lease liabilities | 11 | **(14,909)** | (17,692) |
| Trade and other payables | 18 | **(86,163)** | (75,186) |
| **Total current liabilities** | | **(174,081)** | (99,039) |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 16 | **(64,814)** | (173,739) |
| Lease liabilities | 11 | **(41,980)** | (54,158) |
| Deferred tax liabilities | 19 | **(10,394)** | (11,188) |
| **Total non-current liabilities** | | **(117,188)** | (239,085) |
| **Total liabilities** | | **(291,269)** | (338,124) |
| **Net assets** | | **153,117** | 169,921 |
| **EQUITY** | | | |
| Issued share capital | 20 | **2,008** | 2,008 |
| Capital redemption reserve | | **301** | 301 |
| Share premium | | **16,192** | 16,192 |
| Foreign currency translation reserve | | **(1,386)** | (1,825) |
| Hedging reserve | | **(221)** | (805) |
| Retained earnings | | **136,196** | 154,023 |
| **Total equity attributable to equity holders of the parent** | | **153,090** | 169,894 |
| **Non-controlling interest** | | **27** | 27 |
| **Total equity** | | **153,117** | 169,921 |

The financial statements on pages 63 to 108 were approved and authorised for issue by the Board of Directors on 8 June 2021 and were signed on its behalf by:

**Jeremy Pilkington**
Chairman

**Allison Bainbridge**
Director

Company number: 481833

# Parent Company Balance Sheet

at 31 March 2021

| NET ASSETS | Note | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **112,082** | 118,638 |
| Intangible assets | 10 | **9,547** | 10,376 |
| Investments in subsidiaries | 12 | **71,884** | 71,884 |
| Right of use assets | 11 | **11,255** | 14,000 |
| Employee benefits | 25 | **2,657** | 3,353 |
| Trade and other receivables | 14 | **47,473** | 80,626 |
| **Total non-current assets** | | **254,898** | 298,877 |
| **Current assets** | | | |
| Inventories | 13 | **2,258** | 2,548 |
| Trade and other receivables | 14 | **19,279** | 24,376 |
| Income tax receivable | | **642** | 1,508 |
| Cash and cash equivalents | 15 | **5,112** | 6,011 |
| **Total current assets** | | **27,291** | 34,443 |
| **Total assets** | | **282,189** | 333,320 |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | 16 | **(72,951)** | (6,023) |
| Lease liabilities | 11 | **(4,246)** | (5,216) |
| Trade and other payables | 18 | **(61,438)** | (58,998) |
| **Total current liabilities** | | **(138,635)** | (70,237) |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 16 | **(64,777)** | (173,644) |
| Deferred tax liabilities | 19 | **(9,708)** | (9,751) |
| Lease liabilities | 11 | **(7,662)** | (9,584) |
| Trade and other payables | 18 | **(18,697)** | (15,945) |
| **Total non-current liabilities** | | **(100,844)** | (208,924) |
| **Total liabilities** | | **(239,479)** | (279,161) |
| **Net assets** | | **42,710** | 54,159 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Issued share capital | 20 | **2,008** | 2,008 |
| Capital redemption reserve | | **301** | 301 |
| Share premium | | **16,192** | 16,192 |
| Hedging reserve | | **(221)** | (805) |
| Hive up reserve | | **8,156** | 8,156 |
| **Retained earnings** | | | |
| At the beginning of the year | | **28,307** | 40,488 |
| Profit for the financial year | | **1,001** | 2,560 |
| Other changes in retained earnings | | **(13,034)** | (14,741) |
| At the end of the year | | **16,274** | 28,307 |
| **Total equity** | | **42,710** | 54,159 |

The financial statements on pages 63 to 108 were approved and authorised for issue by the Board of Directors on 8 June 2021 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 2021

| | Note | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/Profit before taxation | | **(2,269)** | 28,366 |
| Adjustments for: | | | |
| Share based payment charges | | **1,098** | 758 |
| Depreciation | 9 | **44,980** | 46,160 |
| Depreciation of right of use assets | 11 | **20,752** | 22,177 |
| Amortisation and impairment | 10 | **10,373** | 16,756 |
| Release of arrangement fees | | **215** | - |
| Financial expense | | **7,760** | 8,892 |
| Financial income | | **(8)** | (52) |
| Profit on sale of property, plant and equipment | | **(4,263)** | (8,939) |
| **Operating cash flow before changes in working capital and provisions** | | **78,638** | 114,118 |
| Decrease/(increase) in inventories | | **1,731** | (1,215) |
| Decrease/(increase) in trade and other receivables | | **17,717** | (3,890) |
| Increase/(decrease) in trade and other payables | | **14,450** | (8,898) |
| **Cash generated from operations** | | **112,536** | 100,115 |
| Interest paid | | **(4,723)** | (4,454) |
| Interest element of finance lease rental payments | | **(38)** | (92) |
| Interest received | | **7** | 10 |
| Income taxes paid | | **(2,867)** | (10,694) |
| **Net cash generated from operating activities** | | **104,915** | 84,885 |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **17,536** | 21,381 |
| Purchase of property, plant and equipment | | **(46,582)** | (54,686) |
| Acquisition of businesses and subsidiaries (net of cash acquired) | 26 | **-** | (3,325) |
| **Net cash used in investing activities** | | **(29,046)** | (36,630) |
| | | | |
| **Cash flows from financing activities** | | | |
| Purchase of own shares by Employee Trust | | **(5,076)** | (2,396) |
| Repayment of borrowings | | **(53,000)** | (94,000) |
| New loans | | **17,000** | 89,000 |
| Payment of lease liabilities | | **(24,107)** | (26,530) |
| Dividends paid | 21 | **(8,674)** | (12,055) |
| **Net cash used in financing activities** | | **(73,857)** | (45,981) |
| | | | |
| Net increase in cash and cash equivalents | | **2,012** | 2,274 |
| Effect of exchange rate fluctuations on cash held | | **(242)** | (259) |
| Cash and cash equivalents net of overdrafts as at the beginning of the year | | **14,147** | 12,132 |
| **Cash and cash equivalents net of overdrafts as at the end of the year** | 15 | **15,917** | 14,147 |

# Parent Company Statement of Cash Flows

for the Year Ended 31 March 2021

| | Note | 2021<br>£000 | 2020<br>£000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **2,518** | 6,415 |
| Adjustments for: | | | |
| Share based payment charges | | **1,098** | 758 |
| Depreciation | 9 | **13,640** | 13,792 |
| Depreciation of right of use assets | 11 | **7,454** | 6,921 |
| Amortisation and impairment | 10 | **829** | 11,722 |
| Release of arrangement fees | | **215** | - |
| Financial expense | | **3,552** | 3,298 |
| Financial income | | **-** | (10) |
| Profit on sale of property, plant and equipment | | **(989)** | (2,447) |
| **Operating cash flow before changes in working capital and provisions** | | **28,317** | 40,449 |
| Decrease/(increase) in inventories | | **290** | (658) |
| Decrease in trade and other receivables | | **40,298** | 19,418 |
| Increase in trade and other payables | | **5,874** | 6,120 |
| **Cash generated from operations** | | **74,779** | 65,329 |
| Interest paid | | **(4,723)** | (4,496) |
| Interest element of finance lease rental payments | | **(32)** | (76) |
| Interest received | | **-** | 10 |
| Income taxes paid | | **(651)** | (4,080) |
| **Net cash generated from operating activities** | | **69,373** | 56,687 |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **9,334** | 15,825 |
| Purchase of property, plant and equipment | | **(15,376)** | (27,932) |
| Investment in new subsidiary | 26 | **-** | (3,325) |
| **Net cash used in investing activities** | | **(6,042)** | (15,432) |
| | | | |
| **Cash flow from financing activities** | | | |
| Purchase of own shares by Employee Trust | | **(5,076)** | (2,396) |
| Repayment of borrowings | | **(53,000)** | (94,000) |
| New loans | | **17,000** | 89,000 |
| Payment of lease liabilities | | **(8,533)** | (8,244) |
| Dividends paid | 21 | **(8,674)** | (12,055) |
| **Net cash used in financing activities** | | **(58,283)** | (27,695) |
| | | | |
| Net increase in cash and cash equivalents | | **5,048** | 13,560 |
| Cash and cash equivalents net of overdrafts as at the beginning of the year | | **64** | (13,496) |
| **Cash and cash equivalents net of overdraft as at the end of the year** | 15 | **5,112** | 64 |

# Notes

(forming part of the financial statements)

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

Vp plc is a public limited company (limited by shares) which is listed on the London Stock Exchange and incorporated and domiciled in Great Britain. These consolidated Financial Statements of Vp plc for the year ended 31 March 2021, 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.

### Basis of preparation

Both the Parent Company Financial Statements and the Group Financial Statements have been prepared and approved by the directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the Financial Statements also comply with International financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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, statement of comprehensive income and related notes that form part of these approved Financial Statements.

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 and Company's accounting policies are set out below and the accounting policies have been applied consistently to all periods presented in these consolidated Financial Statements. There were no changes to IFRSs or IFRSIC interpretations that have had a material impact on the Group for the year ended 31 March 2021.

### Future standards

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. These standards are as follows:

- Amendment to IFRS 16 Leases Covid-19 related rent concessions (effective 1 June 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)
- Amendment to IFRS 3, Business combinations (effective 1 January 2020)
- Amendments to IAS 1 and IAS 8 on the definition of material (effective 1 January 2020)

### Basis of consolidation

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

### Property, plant and equipment

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

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

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

Where the information is available, assets acquired via acquisitions are recorded in the accounting records at fair value on a gross cost and accumulated depreciation basis. The fair value of the acquired property, plant and equipment is therefore the net of the cost and accumulated depreciation shown in the fixed asset note. The Group considers it appropriate to show this on a gross basis as the cost gives a better indication of the earning capacity of the hire fleet.

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

| | | |
|---|---|---|
| Land and Buildings - Freehold buildings | – | 2% straight line |
| Land and Buildings - Leasehold improvements | – | Term of lease |
| Rental equipment | – | 7% - 33% straight line depending on asset type |
| Motor vehicles | – | 25% straight line |
| Other - Computers | – | 33% straight line |
| Other - 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.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 the 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 relationships | – | 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.

**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. For slow-moving or obsolete items, where net realisable value is lower than cost, necessary provision is made.

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 on a first-in first-out basis.

**Trade and other receivables**

Trade and other receivables are stated at their due amounts less impairment losses. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. The loss allowance for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

**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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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. 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.

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. A tax provision is recognised where there is a probable requirement to settle, in the future, an obligation based on a past event.

### 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 plans 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 method.

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 differ from those previously envisaged by the actuary or when asset returns differ from the liability discount rate.

An asset for the surplus has been recognised on the basis that it is recoverable prior to wind up of the scheme, 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 at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognises related restructuring costs or termination benefits.

### Dividend

Dividends are recognised as a liability in the period in which they are approved, however interim dividends are recognised on a paid basis.

### Share Capital

Ordinary shares are classified as equity.

### 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.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Derivative financial instruments**

Interest rate and exchange rate swaps are only used for economic hedging purposes and not as speculative investments. At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The Group determines the hedge effectiveness of its interest and exchange rate swaps at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

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 swaps 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 or other assets as appropriate.

**Financial guarantee contracts**

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

**Revenue**

Revenue represents the amounts (excluding Value Added Tax) derived from the hire of equipment and the provision of goods and services to third party customers during the year. Revenue from equipment hire, which is the vast majority of Group revenues, is accounted for under IFRS 16. Revenue is recognised from the start of hire through to the end of the agreed hire period predominantly on a time apportioned basis. Revenue for services and sales of goods are accounted for under IFRS 15 - Revenue from Contracts with Customers. Revenue from providing services is recognised in the accounting period in which the services are rendered. The majority of services provided are short term and only an immaterial proportion bridge a financial period end. Any increases or decreases in estimated revenues or costs arising from changed circumstances are reflected in profit in the period in which they become known by management. Customers are invoiced on an agreed upon basis and consideration is payable when invoiced. Revenue from sale of goods primarily relates to consumables and new machine sales. Revenue is recognised when a Group entity sells a consumable to the customer or when control of the new machine has transferred ownership to the buyer upon delivery. Depending on the type of sale, a receivable is recognised when the goods are delivered or due immediately. As the Group does not in the course of its ordinary activities routinely dispose of equipment held for hire, any sales proceeds are shown as a reduction in cost of sales. Below summarises the disaggregation of revenue from contracts with customers from the total revenue disclosed in the consolidated income statement:

| | **2021** | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **UK** | **International** | **Total** | UK | International | Total |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Equipment hire | **211,515** | **20,043** | **231,558** | 249,248 | 24,276 | 273,524 |
| Services | **46,793** | **4,930** | **51,723** | 52,299 | 6,270 | 58,569 |
| Sales of goods | **23,001** | **1,715** | **24,716** | 29,458 | 1,376 | 30,834 |
| Total revenue | **281,309** | **26,688** | **307,997** | 331,005 | 31,922 | 362,927 |

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share based payments

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

The fair values are calculated using an appropriate option pricing model. The Group's Approved, Unapproved and Save As You Earn (SAYE) schemes have been valued using the Black-Scholes model and the Income Statement charge is adjusted to reflect the expected number of options that will vest, based on expected levels of performance against non-market based conditions and the expected number of employees leaving the Group. The fair values of the Group's Long Term Incentive Plan (LTIP) and Share Matching scheme are calculated using a discounted grant price model, again adjusted for expected performance against non-market based conditions and employees leaving the Group. Amendments to IFRS 2, "Share Based Payments", 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.

The Group's results are subject to fluctuations caused by the cash settled share options and national insurance costs on LTIPs and unapproved 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 and national insurance, including vested but not exercised options, as well as unvested options. A movement of 10 pence in share price would impact the charge to the Income Statement by £36,000 (2020: £36,000).

### 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.

### Leases

The Group holds leases for various properties, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 10 years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until 1 April 2019, leases of property, plant and equipment were classified as either operating leases or finance leases. Payments made under operating leases were charged to the Consolidated Income Statement on a straight-line basis over the lease term. From 1 April 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit over the lease period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments less any incentives receivable, variable lease payments that are based on a specified index or a rate, the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. A separate provision for onerous leases is therefore no longer required.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This incremental borrowing rate is the interest rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value over a similar term and with similar security to the right of use asset in a similar economic environment. To determine the incremental borrowing rate, the Group, where possible uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in the financing conditions since third party financing was received; adjusts for credit risk as required; and makes adjustments specific to the lease for example to country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group re-values its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the Consolidated Income Statement. Short term leases are certain leases with a lease term of 12 months or less. Low value assets comprise certain IT equipment and small items of office equipment.

Extension and termination options are included in a number of leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment and that is within the control of the Group. This reassessment could result in a recalculation of the lease liability and a material adjustment to the associated balances.

Until 31 March 2019, payments made under operating leases were recognised in the Income Statement on a straight line basis over the term of the lease.

**Exceptional items**

The business classifies certain events as exceptional due to their size and nature where it feels that separate disclosure would help understand the underlying performance of the business. Further discussion is disclosed in note 4.

**Government grants**

Government grants for furlough income and similar income are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the income will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

**Accounting estimates and judgements**

The key accounting policies, estimates and judgements used in preparing the Group's and Company's Annual Report and Accounts for the year ended 31 March 2021 have been reviewed and approved by the Audit Committee. The areas of principal accounting uncertainty that could have a significant impact in the next 12 months 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, and the valuation of the fair value of acquired net assets also requires significant estimates and judgements.

The Group continually reviews depreciation rates and using its judgement adopts a best estimate policy in assessing estimated useful economic lives of fleet assets (see page 71). 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.

The key assumptions and sensitivities applied to pensions are disclosed in note 25. The pension scheme position is derived using actuarial assumptions for inflation, discount rates and assumed life expectancy 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. A pension asset for the Vp plc pension scheme has been recognised as there is an unconditional right to a refund of the surplus prior to winding up the scheme.

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. Further details are provided in note 10.

The accounting for acquisitions requires the Group to use its judgement and use estimates to determine the fair value of net assets acquired, particularly intangible assets. Further details are provided in note 26.

# Notes

## 2. SEGMENT REPORTING

Segment reporting is presented in respect of the Group's business and geographical segments. The Group's reportable segments are the two units, UK and International. This has been determined on the way in which financial information is organised and reported to the Group Board who are responsible for the key operating decisions of the Group, allocating resources and assessing performance and hence are the chief operating decision makers. Total external revenue in 2021 was £308.0 million (2020: £362.9 million). Inter-segment pricing is determined on an arm's length basis. Included within revenue is £24.7 million (2020: £30.8 million) of revenue relating to the sale of goods, the rest of the revenue is service related including hire revenue. 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 £50.0 million (2020: £58.2 million), including overseas revenue generated by the UK based divisions. The Group has one operating branch of a UK registered company operating in another country within the EU, namely a branch of Hire Station Limited operating in the Netherlands.

### Business segments

| | Revenue | | | | | | Operating profit before amortisation and exceptional items | |
|---|---|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | | **2021** | 2020 |
| | **External Revenue £000** | **Internal Revenue £000** | **Total Revenue £000** | External Revenue £000 | Internal Revenue £000 | Total Revenue £000 | **£000** | £000 |
| UK | **281,309** | **5,019** | **286,328** | 331,005 | 6,109 | 337,114 | **30,266** | 53,672 |
| International | **26,688** | **-** | **26,688** | 31,922 | - | 31,922 | **662** | 1,808 |
| | **307,997** | **5,019** | **313,016** | 362,927 | 6,109 | 369,036 | **30,928** | 55,480 |

A reconciliation of operating profit before amortisation and exceptional items to profit before tax is provided in the Income Statement.

| | Assets | | Liabilities | | Net Assets | |
|---|---|---|---|---|---|---|
| | **2021 £000** | 2020 £000 | **2021 £000** | 2020 £000 | **2021 £000** | 2020 £000 |
| UK | **407,184** | 468,465 | **280,411** | 328,791 | **126,773** | 139,674 |
| International | **37,202** | 39,580 | **10,858** | 9,333 | **26,344** | 30,247 |
| | **444,386** | 508,045 | **291,269** | 338,124 | **153,117** | 169,921 |

| | Acquired Assets | | Capital Expenditure | | Depreciation, Amortisation and Impairment | |
|---|---|---|---|---|---|---|
| | **2021 £000** | 2020 £000 | **2021 £000** | 2020 £000 | **2021 £000** | 2020 £000 |
| UK | **-** | 3,344 | **39,308** | 47,628 | **50,157** | 58,346 |
| International | **-** | - | **4,896** | 8,711 | **5,196** | 4,570 |
| | **-** | **3,344** | **44,204** | 56,339 | **55,353** | 62,916 |

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 the following segments: UK £41.7 million (2020: £48.7 million), International £2.1 million (2020: £1.9 million).

Included within segmental assets above is non-current assets in relation to the following segments: UK £323.2 million (2020: £362.9 million), International £30.6 million (2020: £30.7 million).

# Notes

## 3. OPERATING PROFIT

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| **Operating profit is stated after charging/(crediting):** | | |
| Amortisation and impairment of intangible assets | **10,373** | 16,756 |
| Depreciation of property, plant and equipment – owned | **44,980** | 46,160 |
| – leased | **-** | - |
| Profit on disposal of property, plant and equipment | **(4,263)** | (8,939) |
| **Amounts paid to auditors:** | | |
| Audit fees – parent company annual accounts | **500** | 145 |
| – other group companies | **70** | 115 |
| – total group | **570** | 260 |
| Audit related assurance services | **21** | 13 |

Amounts paid to the Company's auditors 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.

Furlough payments of £8.6m received from the Government were passed through to employees during the year. These have been treated as a credit against employee costs in the Income Statement.

Audit fees include £60,000 in 2021 which relates to the 2019/20 audit due to the impact of Covid-19 on the audit.

## 4. EXCEPTIONAL ITEMS

During the year, the Group incurred £15.1 million (2020: £1.5 million) of exceptional costs in relation to regulatory review costs, restructuring costs and Covid-19 covenant amendments.

The Competition and Markets Authority (CMA) announced on 17 December 2020 that three businesses, including a part of the Group's excavation support system business (Groundforce), were involved in anti-competitive behaviour. Consequently, the CMA imposed a penalty of £11.2 million on the Group.

In April 2019, the CMA had announced its provisional findings and as required by accounting standard IAS 37, an exceptional cost of £4.5 million was recorded in the Annual Report and Accounts for the year ended 31 March 2019.

Although, the Board fundamentally disagrees with the conclusions of the CMA it was determined after careful consideration that on balance it would be in the best interests of the Group not to appeal the decision and to pay the penalty when it became due in February 2021. After utilising the provision already held, a further exceptional item of £6.8m has been recognised regarding the penalty. The Group also incurred professional fees of £0.7m relating to this matter which are also classified as exceptional.

During the period the Group also incurred £7.4 million of exceptional costs in relation to restructuring costs across the Group, arising primarily from required cost mitigation actions as a result of the Covid 19 impact on business revenues.

As noted in the previous year's accounts, in May 2020 the Group incurred financing expenses of £0.2m relating to precautionary Covid-19 covenant amendments.

In the prior year ended 31 March 2020, the Group incurred £1.5 million of exceptional costs in relation to regulatory review costs and continued restructuring costs regarding severance payments.

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Regulatory review costs | **7,519** | 834 |
| Restructuring costs | **7,353** | 684 |
| Exceptional Items recognised in Operating Profit | **14,872** | 1,518 |
| Financing expense | **200** | - |
| Exceptional Items recognised in Net Financial Expense | **200** | - |
| Total Exceptional Items | **15,072** | 1,518 |

Exceptional costs are excluded from the profit measures reported in the strategic report on the basis that they are non-recurring in nature. The impact of exceptionals is a reduction in the tax charge of £1,513,000 (2020: £288,000).

## 5. EMPLOYMENT COSTS

**Group**

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

| | Number of employees | |
|---|---|---|
| | **2021** | 2020 |
| Operations | **2,183** | 2,370 |
| Sales | **363** | 370 |
| Administration | **431** | 516 |
| | **2,977** | 3,256 |

The aggregate payroll costs of these persons were as follows:

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **96,572** | 107,603 |
| Social security costs | **9,059** | 10,290 |
| Other pension costs | **3,136** | 3,451 |
| Share option costs including associated social security costs - equity settled | **1,355** | 109 |
| - cash settled | **606** | (1,062) |
| | **110,728** | 120,391 |

**Company**

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

| | Number of employees | |
|---|---|---|
| | **2021** | 2020 |
| Operations | **423** | 453 |
| Sales | **119** | 122 |
| Administration | **154** | 161 |
| | **696** | 736 |

**Company**

The aggregate payroll costs of these persons were as follows:

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **26,475** | 29,108 |
| Social security costs | **3,284** | 3,674 |
| Other pension costs | **674** | 781 |
| Share option costs including associated social security costs - equity settled | **1,040** | 139 |
| - cash settled | **606** | (1,062) |
| | **32,079** | 32,640 |

# Notes

### 6. 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 year is as follows:

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Basic remuneration including bonus and benefits | **2,031** | 1,245 |
| Cash allowances/pension contributions | **218** | 224 |
| Share options | **-** | 750 |
| | **2,249** | 2,219 |

Further details of directors' remuneration, pensions and share options, including the highest paid director, are given in the Remuneration Report on page 45.

### 7. FINANCIAL INCOME AND EXPENSES

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Financial income: | | |
| Bank and other interest receivable | **8** | 52 |
| Financial expenses: | | |
| Bank loans, overdrafts and other interest | **(4,405)** | (4,751) |
| Finance charges payable in respect of finance leases and hire purchase contracts | **(38)** | (92) |
| Finance charges in respect of operating leases under IFRS 16 | **(3,317)** | (4,049) |
| | **(7,760)** | (8,892) |

### 8. INCOME TAX EXPENSE

| | 2021 | 2020 |
|---|---|---|
| **Current tax expense** | **£000** | £000 |
| UK Corporation tax charge at 19% (2020: 19%) | **2,354** | 6,566 |
| Overseas tax - current year | **552** | 1,042 |
| Adjustments in respect of prior years - UK | **(78)** | 333 |
| Adjustments in respect of prior years - Overseas | **56** | 28 |
| Total current tax | **2,884** | 7,969 |
| | | |
| **Deferred tax expense** | | |
| Current year deferred tax | **(445)** | 615 |
| Impact of tax rate change | **-** | 1,171 |
| Adjustments to deferred tax in respect of prior years | **(107)** | 24 |
| Total deferred tax | **(552)** | 1,810 |
| Total tax expense in income statement | **2,332** | 9,779 |

# Notes

## 8. INCOME TAX EXPENSE (continued)

### Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| | 2021 % | 2021 £000 | 2020 % | 2020 £000 |
|---|---|---|---|---|
| (Loss)/profit before tax | | **(2,269)** | | 28,366 |
| Profit multiplied by standard rate of corporation tax | **19.0** | **(431)** | 19.0 | 5,389 |
| Effects of: | | | | |
| Impact of tax rate changes | **-** | **-** | 4.1 | 1,171 |
| Expenses not deductible for tax purposes | **(72.0%)** | **1,633** | 1.0 | 280 |
| Non-qualifying depreciation and amortisation | **(11.6%)** | **263** | 1.4 | 404 |
| Gains covered by exemption/losses | **16.1%** | **(365)** | (1.4) | (407) |
| Overseas tax rate | **(12.5%)** | **285** | 1.3 | 358 |
| Adjustments in respect of prior years | **5.6%** | **(129)** | 1.3 | 385 |
| Impairment of intangibles | **(47.4%)** | **1,076** | 7.8 | 2,199 |
| Total tax charge for the year | **(102.8%)** | **2,332** | 34.5 | 9,779 |

| **Tax recognised in reserves** | 2021 £000 | 2020 £000 |
|---|---|---|
| Other comprehensive income: | | |
| Tax relating to actuarial gains on defined benefit pension scheme | **(151)** | 63 |
| Tax relating to historic asset revaluations | **(1)** | (1) |
| Items recognised in reserves | **96** | (148) |
| Impact of tax rate change | **-** | (47) |
| | **(56)** | (133) |
| Direct to equity: | | |
| Deferred tax relating to share based payments | **(103)** | 932 |
| Current tax relating to share based payments | **(62)** | (284) |
| Impact of tax rate change | **-** | 33 |
| Included within effect of changes in accounting standards | **-** | (482) |
| | **(165)** | 199 |
| Total | **(221)** | 66 |

The corporation tax rate for the year ended 31 March 2021 was 19% (2020: 19%).

The main reconciling items are:

- Expenses not deductible for tax purposes; primarily related to capital transactions, disallowable expenses and customer entertaining
- Non-qualifying depreciation; mainly relates to depreciation on land and buildings
- Gains covered by exemptions/losses; primarily relates to chattels exemptions on the disposal proceeds of fleet items
- Overseas tax rates; due to higher overseas tax rates compared to the UK, particularly in Australia and Germany
- Adjustments in respect of prior years; reflects the differences between the tax calculation for accounts purposes and the final tax returns. The main areas were overseas taxes, disallowed expenses and chargeable gains
- Impairment of intangibles; this relates to the write down of goodwill where there is no tax relief

The reconciling item relating to the impairment of intangibles and other exceptional costs are non-recurring in the normal course of business. All the other items will be expected to re-occur on a regular basis, although amounts will vary from year to year. The effective tax rate before any prior year adjustments, impairment of intangibles and other exceptional items would be expected to be about 2.3% over the standard rate of tax.

# Notes

## 9. 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 2019 | 35,828 | 422,800 | 3,570 | 37,688 | 499,886 |
| Additions | 2,914 | 49,136 | 693 | 3,596 | 56,339 |
| Acquisitions | - | 2,921 | 95 | 316 | 3,332 |
| Disposals | (577) | (42,217) | (659) | (2,499) | (45,952) |
| Exchange rate differences | (22) | (490) | (15) | (166) | (693) |
| Transfer between categories | 4,444 | (1,160) | 100 | (3,384) | - |
| At 31 March 2020 | 42,587 | 430,990 | 3,784 | 35,551 | 512,912 |
| Additions | 1,353 | 40,165 | 606 | 2,080 | 44,204 |
| Disposals | (2,126) | (47,468) | (606) | (1,681) | (51,881) |
| Exchange rate differences | 15 | 92 | 8 | 193 | 308 |
| Transfer between categories | - | (5) | - | 5 | - |
| At 31 March 2021 | 41,829 | 423,774 | 3,792 | 36,148 | 505,543 |
| **Accumulated depreciation and impairment losses** | | | | | |
| At 1 April 2019 | 16,466 | 202,802 | 2,322 | 29,645 | 251,235 |
| Charge for year | 2,135 | 40,487 | 429 | 3,109 | 46,160 |
| Acquisitions | - | 1,193 | 75 | 290 | 1,558 |
| On disposals | (163) | (30,259) | (616) | (2,472) | (33,510) |
| Exchange rate differences | (21) | (163) | (17) | (91) | (292) |
| Transfer between categories | 4,410 | (1,208) | 100 | (3,302) | - |
| At 31 March 2020 | 22,827 | 212,852 | 2,293 | 27,179 | 265,151 |
| Charge for year | 1,386 | 39,760 | 467 | 3,367 | 44,980 |
| On disposals | (1,769) | (34,868) | (580) | (1,391) | (38,608) |
| Exchange rate differences | 21 | (16) | (1) | 104 | 108 |
| Transfer between categories | - | (4) | - | 4 | - |
| At 31 March 2021 | 22,465 | 217,724 | 2,179 | 29,263 | 271,631 |
| **Net book value** | | | | | |
| **At 31 March 2021** | **19,364** | **206,050** | **1,613** | **6,885** | **233,912** |
| At 31 March 2020 | 19,760 | 218,138 | 1,491 | 8,372 | 247,761 |
| At 31 March 2019 | 19,362 | 219,998 | 1,248 | 8,043 | 248,651 |

# Notes

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

| COMPANY | Land and Buildings | Rental Equipment | Motor Vehicles | Other Assets | Total |
|---|---|---|---|---|---|
| **Cost or deemed cost** | **£000** | **£000** | **£000** | **£000** | **£000** |
| At 1 April 2019 | 17,642 | 180,384 | 2,139 | 11,957 | 212,122 |
| Additions | 578 | 20,684 | 252 | 1,350 | 22,864 |
| Group transfers in | - | 8,241 | 95 | 316 | 8,652 |
| Group transfers out | - | (8,172) | - | - | (8,172) |
| Disposals | (435) | (12,926) | (341) | (64) | (13,766) |
| At 31 March 2020 | 17,785 | 188,211 | 2,145 | 13,559 | 221,700 |
| Additions | 467 | 10,765 | 395 | 1,111 | 12,738 |
| Group transfers in | - | 5,757 | - | - | 5,757 |
| Group transfers out | - | (6,846) | - | - | (6,846) |
| Disposals | (148) | (12,118) | (580) | (280) | (13,126) |
| Transfer between categories | - | (2) | - | 2 | - |
| At 31 March 2021 | 18,104 | 185,767 | 1,960 | 14,392 | 220,223 |
| **Accumulated depreciation and impairment losses** | | | | | |
| At 1 April 2019 | 5,849 | 80,893 | 1,504 | 7,897 | 96,143 |
| Charge for year | 500 | 11,739 | 241 | 1,312 | 13,792 |
| Group transfers in | - | 4,025 | 75 | 290 | 4,390 |
| Group transfers out | - | (3,583) | - | - | (3,583) |
| On disposals | (37) | (7,262) | (323) | (58) | (7,680) |
| At 31 March 2020 | 6,312 | 85,812 | 1,497 | 9,441 | 103,062 |
| Charge for year | 514 | 11,539 | 220 | 1,367 | 13,640 |
| Group transfers in | - | 3,033 | - | - | 3,033 |
| Group transfers out | - | (3,001) | - | - | (3,001) |
| On disposals | (134) | (7,615) | (570) | (274) | (8,593) |
| Transfer between categories | - | (1) | - | 1 | - |
| At 31 March 2021 | 6,692 | 89,767 | 1,147 | 10,535 | 108,141 |
| **Net book value** | | | | | |
| **At 31 March 2021** | **11,412** | **96,000** | **813** | **3,857** | **112,082** |
| At 31 March 2020 | 11,473 | 102,399 | 648 | 4,118 | 118,638 |
| At 31 March 2019 | 11,793 | 99,491 | 635 | 4,060 | 115,979 |

The cost or deemed cost of land and buildings for the Group and the Company includes £3,204,000 (2020: £3,204,000) of freehold land not subject to depreciation.

Included in the total net book value of fixed assets of the Group is £169,000 (2020: £488,000) in respect of assets held under finance leases and similar hire purchase contracts, Company £74,000 (2020: £255,000). Depreciation for the year on these Group assets was £292,000 (2020: £450,000) and £168,000 (2020: £342,000) for the Company included within cost of sales in the Consolidated Income Statement. In addition the banks have a fixed and floating charge over the assets of the Group as set out in note 16.

# Notes

## 10. INTANGIBLE ASSETS

| GROUP | Trade Names £000 | Customer Relationships £000 | Supply Agreements £000 | Goodwill £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | |
| At 1 April 2019 | 13,886 | 25,227 | 4,989 | 71,849 | 115,951 |
| Acquired through business combinations | 439 | 1,158 | - | 173 | 1,770 |
| Exchange rate differences | (156) | (163) | - | (216) | (535) |
| At 31 March 2020 | 14,169 | 26,222 | 4,989 | 71,806 | 117,186 |
| Exchange rate differences | 180 | 161 | - | 248 | 589 |
| At 31 March 2021 | 14,349 | 26,383 | 4,989 | 72,054 | 117,775 |
| **Accumulated amortisation and impairment** | | | | | |
| At 1 April 2019 | 2,765 | 9,422 | 4,740 | 9,354 | 26,281 |
| Exchange rate differences | (59) | (59) | - | - | (118) |
| Amortisation | 1,211 | 2,080 | 249 | - | 3,540 |
| Impairment | 1,400 | - | - | 11,816 | 13,216 |
| At 31 March 2020 | 5,317 | 11,443 | 4,989 | 21,170 | 42,919 |
| Exchange rate differences | 69 | 48 | - | - | 117 |
| Amortisation | 1,224 | 2,080 | - | - | 3,304 |
| Impairment | - | - | - | 7,069 | 7,069 |
| At 31 March 2021 | 6,610 | 13,571 | 4,989 | 28,239 | 53,409 |
| **Carrying amount** | | | | | |
| **At 31 March 2021** | **7,739** | **12,812** | **-** | **43,815** | **64,366** |
| At 31 March 2020 | 8,852 | 14,779 | - | 50,636 | 74,267 |
| At 31 March 2019 | 11,121 | 15,805 | 249 | 62,495 | 89,670 |

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units (CGUs) or groups of cash generating units as follows:

| | Goodwill | |
|---|---|---|
| | **2021** | 2020 |
| | **£000** | £000 |
| Groundforce/TPA | **7,632** | 8,109 |
| Hire Station | **34,066** | 40,666 |
| TR | **2,117** | 1,862 |
| | **43,815** | 50,636 |

## 10. INTANGIBLE ASSETS (continued)

Goodwill arising on business combinations has been allocated to the CGUs that are expected to benefit from those business combinations.

The carrying value of intangibles and goodwill has been assessed for impairment by reference to its value in use as this is higher than the potential fair value on disposal. Values have been estimated using cash flow projections over a period of 5 years derived from the approved budget for the coming year. The key assumptions within the cash flow projections are those regarding revenue, margin and level of capital spend required to support the business. These assumptions have been based on past experience, market conditions, terminal year growth and the size of the fleet. The Group tests goodwill annually for impairment or more frequently if there are any indications that goodwill might be impaired.

In the current year, eight Hire Station goodwill balances and one Groundforce/TPA goodwill balance were written off as we no longer trade from the acquired locations. In addition, part of the goodwill associated with the acquisition of Brandon Hire was written off as a result of the restructuring during the year. In the prior year eight Hire Station goodwill balances were written off as we no longer trade from the acquired location and goodwill associated with the acquisitions of Higher Access and TPA Portable Roadways was written off as a result of reduced activity level and cash flows. These impairments along with amortisation have been charged to cost of sales. The charges relate to the CGUs shown on page 84 and are goodwill £7,068,000 (2020: £11,816,000) and intangibles £Nil (2020: £1,400,000).

The pre tax discount rate applied to all CGUs was 9% (2020: 8%), an estimate based on the Group's weighted cost of capital. A long term growth rate factor of 2% was applied when assessing impairment. An increase in discount rate to 10% would increase the impairment by £20.3m, a decrease in discount rate to 8% would indicate no impairment is required. A decrease in long term growth rate to 1% would increase the impairment by £15.9m and an increase in long term growth rate would indicate no impairment is required. Based on this testing the directors do not consider any of the goodwill or intangible assets carried forward at the year end to be impaired even allowing for a reasonable degree of sensitivity to the underlying assumptions, including the discount rate.

| COMPANY | Trade Names | Customer Relationships | Supply Agreements | Goodwill | Total |
|---|---|---|---|---|---|
| **Cost or deemed cost** | **£000** | **£000** | **£000** | **£000** | **£000** |
| At 1 April 2019 | 2,043 | 4,390 | 394 | 24,990 | 31,817 |
| Acquired through business combinations | 439 | 1,158 | - | 173 | 1,770 |
| At 31 March 2020 and at 31 March 2021 | 2,482 | 5,548 | 394 | 25,163 | 33,587 |
| **Accumulated amortisation** | | | | | |
| At 1 April 2019 | 523 | 3,329 | 394 | 7,243 | 11,489 |
| Amortisation charge | 63 | 294 | - | - | 357 |
| Impairment | 1,400 | - | - | 9,965 | 11,365 |
| At 31 March 2020 | 1,986 | 3,623 | 394 | 17,208 | 23,211 |
| Amortisation charge | 137 | 223 | - | - | 360 |
| Impairment | - | - | - | 469 | 469 |
| At 31 March 2021 | 2,123 | 3,846 | 394 | 17,677 | 24,040 |
| **Carrying amount** | | | | | |
| **At 31 March 2021** | **359** | **1,702** | **-** | **7,486** | **9,547** |
| At 31 March 2020 | 496 | 1,925 | - | 7,955 | 10,376 |
| At 31 March 2019 | 1,520 | 1,061 | - | 17,747 | 20,328 |

The directors have reviewed the carrying amount of the Company's goodwill and indefinite life intangible assets on the same basis as the Group's goodwill and concluded that there are no additional impairment charges required.

# Notes

## 11. LEASES

This note provides information for leases where the Group is a lessee.

### *(a) Amounts recognised in the balance sheet*

The recognised right of use assets relate to the following types of assets:

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2021** | 31 March 2020 | **31 March 2021** | 31 March 2020 |
| | **£000** | £000 | **£000** | £000 |
| Property | **39,798** | 49,688 | **4,785** | 4,956 |
| Equipment | **5,273** | 8,998 | **3,752** | 6,091 |
| Vehicles | **8,240** | 9,880 | **2,718** | 2,953 |
| Total right of use assets | **53,311** | 68,566 | **11,255** | 14,000 |

The recognised lease liabilities relate to the following types of assets:

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2021** | 31 March 2020 | **31 March 2021** | 31 March 2020 |
| | **£000** | £000 | **£000** | £000 |
| Property | **43,314** | 52,701 | **5,213** | 5,443 |
| Equipment | **5,532** | 9,332 | **4,002** | 6,389 |
| Vehicles | **8,043** | 9,817 | **2,693** | 2,968 |
| Total lease liabilities | **56,889** | 71,850 | **11,908** | 14,800 |
| Of which are: | | | | |
| Current lease liabilities | **14,909** | 17,692 | **4,246** | 5,216 |
| Non-current lease liabilities | **41,980** | 54,158 | **7,662** | 9,584 |
| | **56,889** | 71,850 | **11,908** | 14,800 |

Additions to the right of use assets during the current financial year for the Group was £5.4 million (2020: £10.9 million) Company: £2.5 million (2020: £4.3 million).

### *(b) Amounts recognised in the consolidated income statement*

The consolidated income statement shows the following amounts relating to leases for the year ended 31 March 2021:

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2021** | 31 March 2020 | **31 March 2021** | 31 March 2020 |
| | **£000** | £000 | **£000** | £000 |
| **Depreciation charge of right-of-use assets** | | | | |
| Property | **9,034** | 9,258 | **1,109** | 1,098 |
| Equipment | **6,076** | 5,555 | **4,424** | 3,853 |
| Vehicles | **5,642** | 7,364 | **1,921** | 1,970 |
| | **20,752** | 22,177 | **7,454** | 6,921 |
| Interest expense (included in finance expenses) | **3,304** | 4,049 | **725** | 903 |
| Expense relating to short-term leases (included in cost of goods sold and administrative expenses) | **332** | 268 | **7** | 85 |
| Expenses relating to low-value assets that are not shown above as short-term leases (included in administrative expenses) | **237** | 686 | **78** | 140 |

The total cash outflow for leases in 2021 for the Group was £23.9 million (2020: £26.5 million) Company: £8.2 million (2020: £8.2 million).

# Notes

## 11. LEASES (continued)

### *(c) Impact on Consolidated Income Statement, EBITDA, segment disclosures and earnings per share*

Basic earnings per share before the amortisation of intangibles and exceptional items decreased by 0.2 pence for the period to 31 March 2021 as a result of the adoption of IFRS 16. The financial impact of the transition on the Group's Consolidated Income Statement and EBITDA for the year ended 31 March 2021 and 2020 is set out below:

**At 31 March 2021**

| | Excluding IFRS 16 £000 | IFRS 16 Impact £000 | **Reported £000** |
|---|---|---|---|
| Operating profit before amortisation and exceptional items | 27,721 | 3,207 | **30,928** |
| Operating profit | 2,476 | 3,207 | **5,683** |
| EBITDA | 72,701 | 23,959 | **96,660** |
| Net financial expense before exceptional items | (4,448) | (3,304) | **(7,752)** |
| Profit before taxation, amortisation and exceptional items | 23,273 | (97) | **23,176** |
| Profit before taxation | (2,172) | (97) | **(2,269)** |

**At 31 March 2020**

| | Excluding IFRS 16 £000 | IFRS 16 Impact £000 | **Reported £000** |
|---|---|---|---|
| Operating profit before amortisation and exceptional items | 51,980 | 3,590 | **55,480** |
| Operating profit | 33,616 | 3,590 | **37,206** |
| EBITDA | 98,050 | 25,767 | **123,817** |
| Net financial expense | (4,791) | (4,049) | **(8,840)** |
| Profit before taxation, amortisation and exceptional items | 47,099 | (459) | **46,640** |
| Profit before taxation | 28,825 | (459) | **28,366** |

Operating profit before amortisation and exceptional items, segment assets and segment liabilities all increased as a result of the change in accounting policy. The IFRS 16 adjustments that have been posted to each segment for the year ending 31 March 2021 and 2020 are as follows:

**At 31 March 2021**

| | **Operating Profit Before Amortisation and Exceptional Items** | | | **Assets** | | | **Liabilities** | | |
|---|---|---|---|---|---|---|---|---|---|
| | Pre IFRS 16 £000 | IFRS 16 Adjustment £000 | **Per Note 2 £000** | Pre IFRS 16 £000 | IFRS 16 Adjustment £000 | **Per Note 2 £000** | Pre IFRS 16 £000 | IFRS 16 Adjustment £000 | **Per Note 2 £000** |
| **UK** | 27,156 | 3,110 | **30,266** | 356,283 | 50,901 | **407,184** | 226,108 | 54,303 | **280,411** |
| **International** | 565 | 97 | **662** | 34,791 | 2,411 | **37,202** | 8,272 | 2,586 | **10,858** |
| | 27,721 | 3,207 | **30,928** | 391,074 | 53,312 | **444,386** | 234,380 | 56,889 | **291,269** |

**At 31 March 2020**

| | **Operating Profit Before Amortisation and Exceptional Items** | | | **Assets** | | | **Liabilities** | | |
|---|---|---|---|---|---|---|---|---|---|
| | Pre IFRS 16 £000 | IFRS 16 Adjustment £000 | **Per Note 2 £000** | Pre IFRS 16 £000 | IFRS 16 Adjustment £000 | **Per Note 2 £000** | Pre IFRS 16 £000 | IFRS 16 Adjustment £000 | **Per Note 2 £000** |
| **UK** | 50,177 | 3,495 | **53,672** | 402,070 | 66,395 | **468,465** | 259,798 | 68,993 | **328,791** |
| **International** | 1,713 | 95 | **1,808** | 37,230 | 2,350 | **39,580** | 7,077 | 2,256 | **9,333** |
| | 51,890 | 3,590 | **55,480** | 439,300 | 68,745 | **508,045** | 266,875 | 71,249 | **338,124** |

# Notes

## 12. INVESTMENTS IN SUBSIDIARIES

**COMPANY**

| **Cost** | **£000** |
|---|---|
| At 1 April 2019 | 71,734 |
| Acquisitions | 3,325 |
| Transfer to intangible assets and deferred tax | (1,498) |
| Tax adjustment | 10 |
| At 31 March 2020 and 31 March 2021 | 73,571 |
| **Impairment** | |
| At 1 April 2019, 31 March 2020 and 31 March 2021 | 1,687 |
| **Carrying amount** | |
| **At 31 March 2021** | **71,884** |
| At 31 March 2020 | 71,884 |
| At 31 March 2019 | 70,047 |

See note 30 for details of subsidiary undertakings.

## 13. INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£000** | £000 | **£000** | £000 |
| Raw materials and consumables | **3,811** | 5,009 | **1,502** | 1,993 |
| Goods for resale | **3,531** | 4,064 | **756** | 555 |
| | **7,342** | 9,073 | **2,258** | 2,548 |

During the year, as a result of the year end assessment of inventory, there was a £3,000 decrease in the Group provision for impairment of inventories (2020: £726,000 decrease) and a £154,000 decrease for Company (2020: £100,000 increase). The provision reflects the Group's best estimate of potential inventory obsolescence. The cost of goods for resale expensed during the year was £22.2 million (2020: £25.1 million). Due to the nature of the spares expenditure and the approach to accounting for spares, it is not possible to provide the value of spares inventory expensed.

## 14. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| **Current assets** | **2021** | 2020 | **2021** | 2020 |
| | **£000** | £000 | **£000** | £000 |
| Gross trade receivables | **68,503** | 76,536 | **18,330** | 21,834 |
| Trade receivables provisions | **(7,242)** | (4,264) | **(1,277)** | (799) |
| Amounts owed by subsidiary undertakings | **-** | - | **-** | - |
| Other receivables | **568** | 1,469 | **318** | 791 |
| Prepayments and accrued income | **4,717** | 10,522 | **1,908** | 2,550 |
| | **66,546** | 84,263 | **19,279** | 24,376 |

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as shown above. The Group does not hold any collateral as security. Receivables acquired as part of the acquisitions in the year were £nil (2020: £0.5 million) being the fair value of receivables.

During the year there was an increase in the provisions for impairment of trade receivables of £2,978,000 (2020: £1,201,000 decrease). The valuation of the provision reflects the Group's best estimates of likely impairment as a result of the aging of the debt, expected credit losses and its knowledge of the debtors. 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:

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Not overdue | **50,594** | 54,460 |
| 0 - 30 days overdue | **5,102** | 7,140 |
| 31 - 90 days overdue | **2,082** | 4,077 |
| More than 90 days overdue | **3,483** | 6,595 |
| | **61,261** | 72,272 |

On this basis there are £10.7 million (2020: £17.8 million) 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 2021 that debtors will not meet their payment obligations in respect of trade receivables recognised in the balance sheet that are unprovided. On this basis there is no material difference between the fair value and the carrying value.

# Notes

## 14. TRADE AND OTHER RECEIVABLES (continued)

| Non current assets | Group 2021 £000 | Group 2020 £000 | Company 2021 £000 | Company 2020 £000 |
|---|---|---|---|---|
| Amounts owed by subsidiary undertakings | **-** | - | **47,473** | 80,626 |

Amounts owed by subsidiary undertakings are unsecured, repayable either on demand or ten years from agreement date and range in interest from 0% to 3.5%.

**Contract assets**

Included within trade and other receivables are assets in relation to contracts with customers.

| | Group 2021 £000 | Group 2020 £000 | Company 2021 £000 | Company 2020 £000 |
|---|---|---|---|---|
| Gross trade receivables | **14,807** | 18,320 | **3,723** | 5,005 |
| Trade receivables provision | **(1,527)** | (1,012) | **(260)** | (183) |
| Prepayments and accrued income | **123** | 746 | **69** | 158 |
| | **13,403** | 18,054 | **3,532** | 4,980 |

## 15. CASH AND CASH EQUIVALENTS

| | Group 2021 £000 | Group 2020 £000 | Company 2021 £000 | Company 2020 £000 |
|---|---|---|---|---|
| Bank balances | **15,917** | 20,094 | **5,112** | 6,011 |
| Overdraft | **-** | (5,947) | **-** | (5,947) |
| Cash and cash equivalents as per cash flow statement | **15,917** | 14,147 | **5,112** | 64 |

## 16. INTEREST-BEARING LOANS AND BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£000** | £000 | **£000** | £000 |
| **Current liabilities** | | | | |
| Bank overdraft | **-** | 5,947 | **-** | 5,947 |
| Secured bank loans | **73,000** | - | **73,000** | - |
| Arrangement fees | **(97)** | (138) | **(97)** | (138) |
| Obligations under finance leases and hire purchase contracts | **106** | 352 | **48** | 214 |
| | **73,009** | 6,161 | **72,951** | 6,023 |
| **Non-current liabilities** | | | | |
| Secured bank loans | **65,000** | 174,000 | **65,000** | 174,000 |
| Arrangement fees | **(223)** | (397) | **(223)** | (397) |
| Obligations under finance leases and hire purchase contracts | **37** | 136 | **-** | 41 |
| | **64,814** | 173,739 | **64,777** | 173,644 |

Net debt defined as total borrowings less cash and cash equivalents was:

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Total net borrowing | **137,823** | 179,900 |
| Cash or cash equivalents | **(15,917)** | (20,094) |
| Net debt | **121,906** | 159,806 |

The repayment schedule of the carrying amount of the non-current borrowings as at 31 March 2020 is:

| | Group | | Company | |
|---|---|---|---|---|
| **Due in less than one year:** | **2021** | 2020 | **2021** | 2020 |
| | **£000** | £000 | **£000** | £000 |
| Secured bank loans | **73,000** | 109,000 | **73,000** | 109,000 |
| Obligations under finance leases and hire purchase contracts | **106** | 106 | **48** | 41 |
| **Total** | **73,106** | 109,106 | **73,048** | 109,041 |
| **Due in more than one year but not more than two years:** | | | | |
| Obligations under finance leases and hire purchase contracts | **37** | 30 | **-** | - |
| **Total** | **37** | 30 | **-** | - |
| **Due in more than two years but not more than five years:** | | | | |
| Obligations under finance leases and hire purchase contracts | **-** | 30 | **-** | - |
| **Total** | **-** | 30 | **-** | - |
| **Due in more than five years:** | | | | |
| Secured private placement loan | **65,000** | 65,000 | **65,000** | 65,000 |
| **Total** | **65,000** | 65,030 | **65,000** | 65,000 |

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 2021 were £62 million. In January 2020, the Group refinanced £65.0 million of secured bank loans held with Lloyds Bank plc and HSBC Bank plc with a private placement with PGIM, Inc. at a value of £65.0 million maturing in January 2027 at a fixed interest rate payable semi-annually.

The £135 million revolving credit facilities were due to mature in December 2021. Consequently in April 2021, the Group drew down a new £28 million seven year private placement under the existing agreement with PGIM, Inc. In June 2021, the Group also refinanced its £135 million committed revolving credit facilities with a new £90 million facility. The new revolving credit facility agreement also includes a £20 million uncommitted accordion facility.

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 23 to 25, the Risk Management Report on pages 26 and 27 and the Directors' Report within going concern on page 54. The loans are subject to covenants and these have been fulfilled at all times during the year.

# Notes

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

### 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 value £000 | Contractual cash flows £000 | Less than 1 year £000 | 1-2 years £000 | 2-5 years £000 |
|---|---|---|---|---|---|
| **31 March 2021** | | | | | |
| Secured loans | 138,000 | 149,884 | 76,224 | 1,819 | 71,841 |
| Finance lease liability | 143 | 153 | 115 | 35 | 3 |
| Trade and other payables | 26,935 | 26,935 | 26,935 | - | - |
| | 165,078 | 176,972 | 103,274 | 1,854 | 71,844 |
| **31 March 2020** | | | | | |
| Secured loans | 174,000 | 192,089 | 4,712 | 113,716 | 73,661 |
| Bank overdraft | 5,947 | 5,947 | 5,947 | - | - |
| Finance lease liability | 488 | 537 | 391 | 115 | 31 |
| Trade and other payables | 65,510 | 65,510 | 65,510 | - | - |
| | 245,945 | 264,083 | 76,560 | 113,831 | 73,692 |

| COMPANY | Carrying value £000 | Contractual cash flows £000 | Less than 1 year £000 | 1-2 years £000 | 2-5 years £000 | Over 5 years £000 |
|---|---|---|---|---|---|---|
| **31 March 2021** | | | | | | |
| Secured loans | 138,000 | 149,884 | 76,224 | 1,819 | 71,841 | - |
| Finance lease liability | 48 | 54 | 54 | - | - | - |
| Trade and other payables | 58,388 | 58,388 | 39,691 | - | - | 18,697 |
| | 196,436 | 208,326 | 115,969 | 1,819 | 71,841 | 18,697 |
| **31 March 2020** | | | | | | |
| Secured loans | 174,000 | 192,089 | 4,712 | 113,716 | 73,661 | - |
| Bank overdraft | 5,947 | 5,947 | 5,947 | - | - | - |
| Finance lease liability | 255 | 291 | 244 | 47 | - | - |
| Trade and other payables | 71,724 | 71,724 | 55,779 | - | - | 15,945 |
| | 251,926 | 270,051 | 66,682 | 113,763 | 73,661 | 15,945 |

### Hire purchase and finance lease liabilities

| GROUP | **Payment 2021 £000** | **Interest 2021 £000** | **Principal 2021 £000** | Payment 2020 £000 | Interest 2020 £000 | Principal 2020 £000 |
|---|---|---|---|---|---|---|
| Less than one year | **115** | **9** | **106** | 391 | 39 | 352 |
| One to two years | **35** | **1** | **34** | 115 | 9 | 106 |
| Two to five years | **3** | **-** | **3** | 31 | 1 | 30 |
| | **153** | **10** | **143** | 537 | 49 | 488 |

| COMPANY | **Payment 2021 £000** | **Interest 2021 £000** | **Principal 2021 £000** | Payment 2020 £000 | Interest 2020 £000 | Principal 2020 £000 |
|---|---|---|---|---|---|---|
| Less than one year | **54** | **6** | **48** | 244 | 30 | 214 |
| One to two years | **-** | **-** | **-** | 47 | 6 | 41 |
| Two to five years | **-** | **-** | **-** | - | - | - |
| | **54** | **6** | **48** | 291 | 36 | 255 |

## 17. FINANCIAL INSTRUMENTS

During the year the Group had seven interest rate swaps to fix interest rates on a proportion of the revolving credit facility. Details are as follows:

| Start date | Finish date | Notional Debt value | Fixed margin |
|---|---|---|---|
| April 2018 | April 2021 | 12,000,000 | 1.154% |
| May 2018 | May 2021 | 5,000,000 | 0.930% |
| September 2018 | September 2021 | 5,000,000 | 0.980% |
| December 2018 | December 2021 | 7,500,000 | 1.209% |
| August 2019 | August 2022 | 5,000,000 | 0.890% |
| August 2019 | August 2022 | 5,000,000 | 0.884% |
| October 2019 | October 2022 | 5,000,000 | 0.485% |

All of the swaps are effective cash flow hedges and the movements in fair values have been taken to equity. Fair values of these derivatives have been determined by the respective counterparties based on quoted prices in active markets for identical assets and liabilities.

The Group had 2 foreign exchange hedges to reduce the risk of foreign exchange fluctuations between US dollars and Sterling in the year ended 31 March 2021. It also has further foreign exchange hedges between US dollars and Sterling covering the period from 1 April 2021 to 30 June 2023. 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 2021 | | | | 31 March 2020 |
|---|---|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** | **Level 3** | Total |
| | **£000** | **£000** | **£000** | **£000** | £000 |
| Financial liabilities at fair value: | | | | | |
| Interest rate swaps | **251** | **-** | **251** | **-** | 678 |
| Forward exchange rate agreements | **(30)** | **-** | **(30)** | **-** | 127 |
| | **221** | **-** | **221** | **-** | 805 |

The values are based on the amount the Group would pay/receive from the bank in order to settle the instruments at the year end.

The movements in liabilities are reconciled below:

| | 31 March 2021 | | |
|---|---|---|---|
| | **Interest rate swaps £000** | **Forward exchange rate agreements £000** | **Total £000** |
| Opening liability | **678** | **127** | **805** |
| Other comprehensive income | **(427)** | **(158)** | **(585)** |
| Recycled to income statement | **-** | **1** | **1** |
| Closing liability | **251** | **(30)** | **221** |

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 pages 24 and 25 and the Principal Risks and Uncertainties on pages 28 and 29, as are the risks relating to credit and currency management and the capital management of the Group.

**Financial Instrument Sensitivity Analysis**

Ten percent 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) | |
|---|---|---|
| | **2021** | 2020 |
| **10% strengthening of Sterling against:** | **£000** | £000 |
| US Dollar | **116** | 148 |
| Australian Dollar | **34** | (144) |
| Singapore Dollar | **(4)** | 22 |
| Euro | **28** | 79 |
| **10% weakening of Sterling against:** | | |
| US Dollar | **(142)** | (181) |
| Australian Dollar | **(41)** | 177 |
| Singapore Dollar | **5** | (27) |
| Euro | **(34)** | (97) |
| **10% movement in Sterling interest rates:** | | |
| Increase in interest rates | **(122)** | (214) |
| Decrease in interest rates | **122** | 214 |

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

## 18. TRADE AND OTHER PAYABLES

| Current liabilities | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£000** | £000 | **£000** | £000 |
| Trade payables | **26,935** | 28,873 | **7,330** | 7,968 |
| Amounts owed to subsidiary undertakings | **-** | - | **32,361** | 31,529 |
| Other taxes and social security | **14,982** | 9,676 | **5,137** | 3,219 |
| Other payables | **16,700** | 12,161 | **276** | 869 |
| Accruals and deferred income | **27,546** | 24,476 | **16,334** | 15,413 |
| | **86,163** | 75,186 | **61,438** | 58,998 |

Within Group and Company other payables is £0.2 million (2020: 0.8 million) in relation to interest rate swaps and foreign exchange rate agreements which are valued at fair value. In addition within accruals is £2.3 million (2020: £1.7 million) in relation to the liability for cash settled share options which are also valued at fair value. All other liabilities are valued at amortised cost. There are no material liabilities in relation to contracts with customers. Amounts owed to subsidiary undertakings are repayable on demand, unsecured and interest free. Within accruals is £nil million (2020: £4.5 million) in relation to regulatory review costs provision, as referred to in note 4. Payables acquired as part of the acquisitions in the year were £nil million (2020: £0.5) being the fair value of payables.

| Non current liabilities | | | | |
|---|---|---|---|---|
| Amounts owed to subsidiary undertakings | **-** | - | **18,697** | 15,945 |

## 19. 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 2019 | | 5,967 | 5,416 | (2,183) | (794) | 8,406 |
| Recognised on acquisition | | 306 | 272 | - | (93) | 485 |
| Changes in accounting standards - recognised in equity | | - | - | - | (482) | (482) |
| Recognised in income statement | | 1,488 | (112) | 386 | 48 | 1,810 |
| Recognised in reserves | | 5 | - | 10 | - | 15 |
| Recognised in equity | 8 | - | - | 965 | - | 965 |
| Foreign exchange | | (10) | (1) | - | - | (11) |
| At 31 March 2020 | | 7,756 | 5,575 | (822) | (1,321) | 11,188 |
| Reclassification | | 369 | (428) | 97 | (38) | - |
| Recognised in income statement | | 29 | (863) | 347 | (65) | (552) |
| Recognised in reserves | | (1) | - | (151) | - | (152) |
| Recognised in equity | 8 | - | - | (103) | - | (103) |
| Foreign exchange | | 44 | 65 | (39) | (57) | 13 |
| **At 31 March 2021** | | **8,197** | **4,349** | **(671)** | **(1,481)** | **10,394** |

Of the deferred tax liability above, the amount expected to unwind within 12 months is £2.3 million.

| COMPANY | Note | Property, plant and equipment £000 | Intangible assets £000 | Employee benefits £000 | Other items £000 | Total £000 |
|---|---|---|---|---|---|---|
| 1 April 2019 | | 7,920 | 656 | (1,681) | (215) | 6,680 |
| Recognised on acquisition | | 306 | 272 | - | (93) | 485 |
| Changes in accounting standards - recognised in equity | | - | - | - | (126) | (126) |
| Recognised in income statement | | 1,482 | (203) | 394 | 79 | 1,752 |
| Recognised in reserves | | 4 | - | (9) | - | (5) |
| Recognised in equity | | - | - | 965 | - | 965) |
| At 31 March 2020 | | 9,712 | 725 | (331) | (355) | 9,751 |
| Recognised in income statement | | (161) | (50) | 434 | (33) | 190 |
| Recognised in reserves | | (1) | - | (129) | - | (130) |
| Recognised in equity | | - | - | (103) | - | (103) |
| **At 31 March 2021** | | **9,550** | **675** | **(129)** | **(388)** | **9,708** |

Of the deferred tax liability above, the amount expected to unwind within 12 months is £1.9 million.

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. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the net balance.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £3.4 million and to reduce the deferred tax liability by £3.3 million.

# Notes

## 20. CAPITAL AND RESERVES

| Ordinary share capital | **2021 £000** | 2020 £000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 40,154,253 Ordinary shares of 5 pence each (2020: 40,154,253) | **2,008** | 2,008 |

The company articles authorise 60,000,000 shares (2020: 60,000,000). 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 pages 65 and 66.

**Own shares held**
Deducted from retained earnings (Group and Company) is £4,419,000 (2020: £3,731,000) in respect of own shares held by the Vp Employee Trust. The Trust acts as a repository of issued Company shares and held 554,000 shares (2020: 399,000) with a market value at 31 March 2021 of £4,508,000 (2020: £2,560,000).

## 21. DIVIDENDS

| | **2021 £000** | 2020 £000 |
|---|---|---|
| Amounts recognised as distributions to equity holders of the Parent in the year: | | |
| Ordinary shares: | | |
| Final paid 0.0p (2020: 22.0p) per share | **-** | 8,705 |
| Special paid 22.0p (2020: 0.0p) per share | **8,674** | - |
| Interim paid 0.0p (2020: 8.45p) per share | **-** | 3,350 |
| | **8,674** | 12,055 |

The dividend paid in the year is after dividends were waived to the value of £160,000 (2020: £144,500) in relation to shares held by the Vp Employee Trust. 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 25.0p per share which will absorb an estimated £9,895,000 million of shareholders' funds. The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included in liabilities in the financial statements.

## 22. EARNINGS PER SHARE

**Basic earnings per share**
The calculation of basic earnings per share of (11.62) pence (2020: 46.92 pence) was based on the (loss)/profit attributable to equity holders of the Parent of £4,601,000 (2020: £18,587,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2021 of 39,595,000 (2020: 39,618,000), calculated as follows:

| | **2021 Shares 000s** | 2020 Shares 000s |
|---|---|---|
| Issued ordinary shares | **40,154** | 40,154 |
| Effect of own shares held | **(559)** | (536) |
| Weighted average number of ordinary shares | **39,595** | 39,618 |

Basic earnings per share before the amortisation of intangibles and exceptional items was 46.56 pence (2020: 90.21 pence) and is based on an after tax add back of £23,037,000 (2020: £17,153,000) in respect of the amortisation of intangibles and exceptional items.

## 22. EARNINGS PER SHARE (continued)

**Diluted earnings per share**

The calculation of diluted earnings per share of (11.62) pence (2020: 46.17 pence) was based on (loss)/profit attributable to equity holders of the Parent of £(4,601,000) (2020: £18,587,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2021 of 40,218,000 (2020: 40,260,000), calculated as follows:

| | **2021 Shares 000s** | 2020 Shares 000s |
|---|---|---|
| Weighted average number of ordinary shares | **39,595** | 39,618 |
| Effect of share options | **623** | 642 |
| Weighted average number of ordinary shares (diluted) | **40,218** | 40,260 |

The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share. Diluted earnings per share before the amortisation of intangibles and exceptional items was 45.84 pence (2020: 88.77 pence).

## 23. SHARE OPTION SCHEMES

**SAYE Scheme**

During the year options over a further 453,696 shares were granted under the SAYE scheme at a price of 584 pence. The outstanding options at the year end were:

| **Date of Grant** | **Price per share** | **Number of shares** |
|---|---|---|
| July 2017 | 696p | 96,669 |
| July 2018 | 808p | 209,341 |
| July 2019 | 711p | 253,360 |
| July 2020 | 584p | 420,405 |
| | | 979,775 |

All the options are exercisable between 3 and 3.5 years. At 31 March 2021 there were 1,022 employees saving an average £157 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 211,250 shares were granted during the year at a price of 698 pence. The options outstanding at the year end were:

| **Date of Grant** | **Price per share** | **Number of shares** |
|---|---|---|
| July 2011 | 249.5p | 4,000 |
| July 2012 | 266.5p | 7,000 |
| July 2013 | 389.0p | 6,800 |
| July 2014 | 680.0p | 9,350 |
| July 2015 | 770.0p | 31,550 |
| July 2016 | 657.0p | 27,850 |
| July 2017 | 870.0p | 61,557 |
| July 2018 | 1030.0p | 101,050 |
| July 2019 | 860.0p | 102,200 |
| July 2020 | 698.0p | 198,550 |
| | | 549,907 |

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2018 to 2020 are subject to achievement of performance targets over a three year period. The awards for 2017 and prior are vested, but not yet exercised.

# Notes

## 23. SHARE OPTION SCHEMES (continued)

**Unapproved Share Option Scheme**

Options over 565,750 shares were granted during the year at a price of 698 pence. The options outstanding at the year end were:

| Date of Grant | Price per share | Number of shares |
|---|---|---|
| July 2012 | 266.5p | 19,750 |
| July 2013 | 389.0p | 35,300 |
| July 2014 | 680.0p | 48,600 |
| July 2015 | 770.0p | 73,100 |
| July 2016 | 657.0p | 198,550 |
| July 2017 | 870.0p | 203,699 |
| July 2018 | 1030.0p | 272,950 |
| July 2019 | 860.0p | 382,800 |
| July 2020 | 698.0p | 525,950 |
| | | 1,760,699 |

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2018 to 2020 are subject to achievement of performance targets over a three year period. The awards for 2017 and prior are vested, but not yet exercised.

**Long-Term Incentive Plan**

Awards were made during the year in relation to a further 389,100 shares. Shares outstanding at the year end were:

| Date of Grant | Number of shares |
|---|---|
| July 2014 | 72,600 |
| July 2015 | 69,500 |
| July 2016 | 102,100 |
| July 2017 | 81,822 |
| July 2018 | 212,100 |
| July 2019 | 284,000 |
| July 2020 | 384,400 |
| | 1,206,522 |

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2018 to 2020 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 41. The awards for 2017 and prior are vested, but not yet exercised.

**Share Matching**

No awards were made during the year in relation to shares. Shares outstanding at the year end were:

| Date of Grant | Number of shares |
|---|---|
| July 2012 | 4,000 |
| August 2013 | 1,750 |
| July 2014 | 3,500 |
| August 2015 | 2,400 |
| August 2016 | 2,200 |
| | 13,850 |

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2016 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 2021 was 814 pence (2020: 642 pence), the highest market value in the year to 31 March 2021 was 888 pence and the lowest 604 pence. The average share price during the year was 720 pence.

## 23. SHARE OPTION SCHEMES (continued)

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

| | **2021** Weighted average exercise price | **2021** Number of options 000s | 2020 Weighted average exercise price | 2020 Number of options 000s |
|---|---|---|---|---|
| Outstanding at beginning of the year | **529p** | **4,145** | 528p | 4,280 |
| Lapsed during the year | **695p** | **(622)** | 787p | (493) |
| Exercised during the year | **113p** | **(632)** | 520p | (936) |
| Granted during the year | **498p** | **1,620** | 622p | 1,294 |
| Outstanding at the end of the year | **553p** | **4,511** | 529p | 4,145 |
| Exercisable at the year end | **567p** | **924** | 278p | 1,220 |

The options outstanding at 31 March 2021 have an exercise price in the range of 0.0p to 1030.0p and have a weighted average life of 2.0 years.

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 year end. The assumptions used to value the probable options granted during the year were in the following ranges:

| | **2021** | 2020 |
|---|---|---|
| Weighted average fair value per share | **293.4p** | 180.0p |
| Share price at date of grant | **698.0p to 729.0p** | 860.0p to 888.0p |
| Exercise price (details provided above) | **0.0p to 698.0p** | 0.0p to 860.0p |
| Expected volatility | **35.3% to 35.4%** | 23.8% |
| Option life | **3 to 10 years** | 3 to 10 years |
| Expected divided yield | **1.2%** | 3.4% to 3.5% |
| Risk free rate | **0.10%** | 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 5.

The total carrying amount of cash settled transaction liabilities including associated national insurance at the year end was £2,301,000 (2020: £1,714,000). £2,218,000 of this liability had vested at the year end (2020: £1,468,000).

## 24. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment at the end of the financial year for which no provision has been made are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£000** | £000 | **£000** | £000 |
| Contracted | **15,676** | 8,291 | **5,954** | 3,929 |

## 25. EMPLOYEE BENEFITS

### Defined benefit schemes

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

The Group has two defined benefit pension schemes, the main scheme is the Vp pension scheme with a net present value surplus of £2.7 million (2020: £3.4 million). In addition, Torrent Trackside participate in a small section of the Railways Pension Scheme with a net present value obligation of £0.5 million (2020: £0.3 million). The two schemes are considered below.

*Vp pension scheme*

Vp plc operates a UK registered trust based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustee is responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme.

There are two categories of pension scheme member:

- Deferred members: former employees of the Company not yet in receipt of a pension
- Pension members: in receipt of pension.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgoings (allowing for revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The majority of benefits receive increases in deferment linked to inflation (subject to a cap of no more than 5% pa). The valuation method used is known as the Projected Unit Method. The approximate overall duration of the Scheme's defined benefit obligation as at 31 March 2021 was 11 years.

The Trustee is required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustee as at 31 March 2018. The valuation revealed a funding surplus of approximately £2,000,000. The Company therefore does not expect to pay any contributions into the Scheme during the accounting year beginning 1 April 2021. The difference between the actuarial valuation and the IAS 19 valuation reflects the different valuation dates, the last actuarial valuation was as at 31 March 2018, and the assumptions adopted. The actuarial valuation uses assumptions determined by the Scheme Trustees to evaluate the Scheme funding requirements on a triannual basis and the IAS 19 valuation uses assumptions that are chosen by the Company, but heavily prescribed by the accounting standard.

Through the Scheme, the Company is exposed to a number of risks:

- Asset volatility: the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Scheme invests some of the assets in diversified growth funds. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- Changes in bond yields: a decrease in corporate bond yields would increase the Scheme's defined benefit obligation.
- Inflation risk: a significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place).
- Life expectancy: if Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

The Trustee and Company manage risks in the Scheme through the following strategies:

## 25. EMPLOYEE BENEFITS (continued)

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: the Trustee is required to review its investment strategy on a regular basis.
- LDI: the Scheme invests in Liability Driven Investment (LDI) funds in order to control interest rate and inflation risks.

*Torrent Railways pension scheme*

Torrent participates in a section of the Railways Pension Scheme (the "Section"), a UK registered trust based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustee is responsible for running the Section in accordance with the Section's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme.

There are three categories of pension scheme members in the Section:

- Active members: currently employed by the Company and accruing pension benefits
- Deferred members: former members of the Section not yet in receipt of pension
- Pensioner members: in receipt of pension.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgoings (allowing for future salary increases for active members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The majority of benefits receive increases linked to the CPI inflation. The valuation method used is known as the Projected Unit Method. The approximate overall duration of the Section's defined obligation as at 31 March 2021 was 20 years.

The Trustee is required to carry out an actuarial valuation every 3 years.

The last actuarial valuation for the Section was performed by the Scheme Actuary for the Trustee as at 31 December 2019. This valuation revealed a surplus in the Section of £33,000 on the Scheme Funding basis. The Company agreed to pay annual contributions of 20.9% pa of members' section pay prior to 30 June 2018, and 21.7% pa of members' pensionable salaries from 1 July 2018; all subject to the Omnibus rate as defined in the Rules. The Company expects to pay around £15,000 to the Section during the accounting year beginning 1 April 2020. The difference between the actuarial valuation and the IAS 19 valuation is due to the same principles as described in the Vp plc details above, albeit the last actuarial valuation was performed at 31 December 2019.

Through the Section, the Company is exposed to a number of risks:

- Asset volatility: the Section's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Section invests significantly in equities. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- Changes in bond yields: a decrease in corporate bond yields would increase the Section's defined benefit obligation, however, this would be partially offset by an increase in the value of the Section's assets.
- Inflation risk: a significant proportion of the Section's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the Section's assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit.
- Life expectancy: if Section members live longer than expected, the Section's benefits will need to be paid for longer, increasing the Section's defined benefit obligation.

The Trustee manages risks in the Section through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: the Trustee is required to review the investment strategy on a regular basis.

All actuarial gains and losses are recognised in the year in which they occur in the Statement of Comprehensive Income. From 1 April 2013 the Group and the Company have adopted IAS 19 revised as set out in the accounting policies in note 1.

| **Present value of net surplus** | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2021 £000** | 2020 £000 | **2021 £000** | 2020 £000 |
| Present value of defined benefit obligation | **(10,600)** | (9,812) | **(8,737)** | (8,312) |
| Fair value of scheme assets | **12,775** | 12,830 | **11,394** | 11,665 |
| Present value of net surplus | **2,175** | 3,018 | **2,657** | 3,353 |

# Notes

## 25. EMPLOYEE BENEFITS (continued)

The movement in the defined benefit surplus is as follows:

**Group**

| | **2021** Present value of obligation £000 | Fair value of assets £000 | Total £000 | **2020** Present value of obligation £000 | Fair value of assets £000 | Total £000 |
|---|---|---|---|---|---|---|
| At beginning of year | **(9,812)** | **12,830** | **3,018** | (10,187) | 12,919 | 2,732 |
| Service costs | **(28)** | **(103)** | **(131)** | (32) | (128) | (160) |
| Interest (cost)/income | **(220)** | **288** | **68** | (240) | 303 | 63 |
| Re-measurements | | | | | | |
| Actuarial gains/(losses): change in demographic assumptions | **20** | **-** | **20** | (23) | - | (23) |
| Actuarial (losses)/gains: change in financial assumptions | **(1,053)** | **-** | **(1,053)** | 221 | - | 221 |
| Actuarial gains/(losses): experience differing from that assumed | **15** | **-** | **15** | (8) | - | (8) |
| Actuarial gains: actual return on assets | **-** | **223** | **223** | - | 178 | 178 |
| Contributions: employer | **-** | **15** | **15** | - | 15 | 15 |
| Contributions: employees | **(7)** | **7** | **-** | (7) | 7 | - |
| Benefits paid | **485** | **(485)** | **-** | 464 | (464) | - |
| | **(10,600)** | **12,775** | **2,175** | (9,812) | 12,830 | 3,018 |

**Company**

| | **2021** Present value of obligation £000 | Fair value of assets £000 | Total £000 | **2020** Present value of obligation £000 | Fair value of assets £000 | Total £000 |
|---|---|---|---|---|---|---|
| At beginning of year | **(8,312)** | **11,665** | **3,353** | (8,591) | 11,757 | 3,166 |
| Service costs | **-** | **(91)** | **(91)** | - | (121) | (121) |
| Interest (cost)/income | **(185)** | **261** | **76** | (201) | 275 | 74 |
| Re-measurements | | | | | | |
| Actuarial gains/(losses): change in demographic assumptions | **16** | **-** | **16** | (21) | - | (21) |
| Actuarial (losses)/gains: change in financial assumptions | **(724)** | **-** | **(724)** | 54 | - | 54 |
| Actuarial gains: actual return on assets | **-** | **27** | **27** | - | 201 | 201 |
| Benefits paid | **468** | **(468)** | **-** | 447 | (447) | - |
| | **(8,737)** | **11,394** | **2,657** | (8,312) | 11,665 | 3,353 |

| **Expense/(income) recognised in the Income Statement** | **Group** 2021 £000 | 2020 £000 | **Company** 2021 £000 | 2020 £000 |
|---|---|---|---|---|
| Service costs | **131** | 160 | **91** | 121 |
| Net interest | **(68)** | (63) | **(76)** | (74) |
| | **63** | 97 | **15** | 47 |

These expenses/(income) are recognised in the following line items in the Income Statement:

| | **Group** 2021 £000 | 2020 £000 | **Company** 2021 £000 | 2020 £000 |
|---|---|---|---|---|
| Cost of sales | **131** | 160 | **91** | 121 |
| Administrative expenses | **(68)** | (63) | **(76)** | (74) |
| | **63** | 97 | **15** | 47 |

## 25. EMPLOYEE BENEFITS (continued)

**Amount recognised in other comprehensive income**

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£000** | £000 | **£000** | £000 |
| Acturial (losses)/gains on defined benefit obligation | **(1,018)** | 190 | **(708)** | 33 |
| Actual return on assets less interest | **223** | 178 | **27** | 201 |
| Amount recognised in other comprehensive income | **(795)** | 368 | **(681)** | 234 |

Cumulative actuarial net gains/(losses) reported in the statement of comprehensive income since 1 April 2004, the transition to adopted IFRSs, for the Group are loss of £265,000 (2020: gain of £530,000), Company loss of £357,000 (2020: gain of £324,000).

**Scheme assets and returns**

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£000** | £000 | **£000** | £000 |
| **Fair value of assets** | | | | |
| Diversified growth funds | **3,968** | 3,335 | **3,968** | 3,335 |
| Equities and other growth assets | **1,127** | 972 | **-** | - |
| Bonds and cash | **5,882** | 5,850 | **5,628** | 5,657 |
| Liability driven investments (LDI) | **1,798** | 2,673 | **1,798** | 2,673 |
| | **12,775** | 12,830 | **11,394** | 11,665 |
| **Returns** | | | | |
| Actual return on scheme assets | **511** | 481 | **288** | 476 |

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 Scheme invests in the "Matching Core" range of LDI funds provided by Legal & General Investment Management (LGIM) (the Scheme's investment manager). These are unit-linked, pooled investment vehicles, with a quoted unit price. The market value for the purposes of the accounts was provided by LGIM and was the bid-value of the funds at the accounting date.

**Principal actuarial assumptions**

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

| | Group and Company | |
|---|---|---|
| | **2021** | 2020 |
| Inflation | **3.5%** | 2.7% |
| Discount rate at 31 March | **1.7%** | 2.3% |
| Expected future salary increases | **2.0%** | 2.7% |
| Expected future pension increases | **3.4%** | 2.7% |
| Revaluation of deferred pensions | **2.8%** | 1.8% |

Mortality rate assumptions adopted at 31 March 2021, based on S2PA CMI Model 2019, imply the following life expectations on retirement at age 65 for:

| | **2021** | 2020 |
|---|---|---|
| Male currently aged 45 | **23 years** | 23 years |
| Female currently aged 45 | **25 years** | 25 years |
| Male currently aged 65 | **22 years** | 22 years |
| Female currently aged 65 | **24 years** | 24 years |

# Notes

## 25. EMPLOYEE BENEFITS (continued)

### History of schemes

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

| Group | **2021 £000** | 2020 £000 | 2019 £000 | 2018 £000 | 2017 £000 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | **(10,600)** | (9,812) | (10,187) | (10,388) | (11,402) |
| Fair value of plan assets | **12,775** | 12,830 | 12,919 | 12,618 | 13,330 |
| Present value of net surplus | **2,175** | 3,018 | 2,732 | 2,230 | 1,928 |

| Company | **2021 £000** | 2020 £000 | 2019 £000 | 2018 £000 | 2017 £000 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | **(8,737)** | (8,312) | (8,591) | (8,902) | (9,885) |
| Fair value of plan assets | **11,394** | 11,665 | 11,757 | 11,523 | 12,286 |
| Present value of net surplus | **2,657** | 3,353 | 3,166 | 2,621 | 2,401 |

### Gains/(losses) recognised in statement of comprehensive income

| Group | **2021** | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Difference between expected and actual return on scheme assets: | | | | | |
| Amount (£000) | **223** | 178 | 468 | (25) | 1,948 |
| Percentage of scheme assets | **1.7%** | 1.4% | 3.6% | (0.2%) | 14.6% |
| Experience gains and losses arising on the scheme liabilities: | | | | | |
| Amount (£000) | **15** | (8) | 205 | (13) | 48 |
| Percentage of present value of scheme liabilities | **0.1%** | (0.1%) | 2.0% | (0.1%) | 0.4% |
| Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: | | | | | |
| Amount (£000) | **(1,033)** | 198 | (95) | 313 | (1,361) |
| Percentage of present value of scheme liabilities | **(9.7%)** | 2.0% | (0.9%) | 3.0% | (11.9%) |
| Recognition of Railways pension scheme | | | | | |
| Amount (£000) | **-** | - | - | - | (269) |
| Percentage of present value of scheme liabilities | **(0.0%)** | (0.0%) | (0.0%) | (0.0%) | (2.4%) |
| Total amount recognised in statement of comprehensive income: | | | | | |
| Amount (£000) | **(795)** | 368 | 536 | 275 | 366 |
| Percentage of present value of scheme liabilities | **(7.5%)** | 3.8% | 5.3% | 2.6% | 3.2% |

| Company | **2021** | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Difference between expected and actual return on scheme assets: | | | | | |
| Amount (£000) | **27** | 201 | 426 | (78) | 1,836 |
| Percentage of scheme assets | **0.2%** | 1.7% | 3.6% | (0.7%) | 14.9% |
| Experience gains and losses arising on the scheme liabilities: | | | | | |
| Amount (£000) | **-** | - | 192 | (12) | 27 |
| Percentage of present value of scheme liabilities | **0.0%** | 0.0% | 2.2% | (0.1%) | 0.3% |
| Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: | | | | | |
| Amount (£000) | **(708)** | 33 | (30) | 246 | (1,048) |
| Percentage of present value of scheme liabilities | **(8.1%)** | 0.4% | (0.3%) | 2.8% | (10.6%) |
| Total amount recognised in statement of comprehensive income: | | | | | |
| Amount (£000) | **(681)** | 234 | 546 | 156 | 815 |
| Percentage of present value of scheme liabilities | **(7.8%)** | 2.8% | 6.4% | 1.8% | 8.2% |

# Notes

## 25. EMPLOYEE BENEFITS (continued)

### Sensitivity analysis

The sensitivity of the net pension asset/obligation to assumptions is set out below:

**Vp plc scheme**

| Assumption | Change in assumption | Change in defined benefit obligation |
|---|---|---|
| Discount rate | +/- 0.5% pa | -5%/+6% |
| RPI inflation | +/- 0.5% pa | -1%/+1% |
| Assumed life expectancy | + 1 year | +4% |

**Torrent Railways scheme**

| Assumption | Change in assumption | Change in defined benefit obligation |
|---|---|---|
| Discount rate | +/- 0.5% pa | -9%/+11% |
| CPI inflation | +/- 0.5% pa | +7%/-7% |
| Assumed life expectancy | + 1 year | +4% |

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

### Defined contribution plans

The Group also operates defined contribution schemes for other eligible employees, the main schemes being the Vp money purchase scheme and the Legal and General Stakeholder Scheme. 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 £1,917,000 (2020: £2,285,000) in the year.

# Notes

## 26. BUSINESS COMBINATIONS

The Group acquired the following businesses from 1 April 2019 to 31 March 2021:

| **Name of acquisition** | **Date of acquisition** | **Type of acquisition** | **Acquired by** |
|---|---|---|---|
| Sandhurst Limited | 9 May 2019 | Share purchase (100% equity) | Vp plc |

Details of the acquisition are provided below:

| | **Group** | |
|---|---|---|
| | **2021 Total £000** | 2020 Total £000 |
| Property, plant and equipment | **-** | 1,774 |
| Current assets | **-** | 524 |
| Net debt | **-** | (19) |
| Tax, trade and other payables | **-** | (452) |
| **Fair value of net assets** | **-** | 1,827 |
| **Fair value adjustments** | | |
| Intangibles on acquisition | **-** | 1,597 |
| Deferred tax on intangibles | **-** | (272) |
| **Fair value of intangible assets acquired** | **-** | 1,325 |
| Goodwill on acquisition | **-** | 173 |
| **Cost of acquisitions** | **-** | 3,325 |
| **Satisfied by** | | |
| Cash consideration | **-** | 3,325 |
| **Analysis of cash flow for acquisitions** | | |
| Cash consideration | **-** | 3,325 |
| Net (cash)/overdraft in acquisitions | **-** | - |
| | **-** | 3,325 |

The fair value of net assets generally reflect the book value of assets in the acquired company/business. The acquisition in the previous year was made to grow market share and expand the product range. Intangibles were identified in relation to the acquisition in the previous year ended 31 March 2020 relate to customer lists and brand names. The amortisation periods for these intangibles are set out in note 1. The goodwill arising on acquisition is primarily attributable to the expected operational synergies within the Group's businesses. The acquisition costs expensed in the year ended 31 March 2021 in relation to the acquisition were £Nil (2020: £42,600). The contribution towards Group profit in the previous year was not material.

## 27. RELATED PARTIES

Material transactions with key management (being the directors of the Group) mainly constitute remuneration including share based payments, details of which are included in the Remuneration Report on pages 38 to 51 and in note 6 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. 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 2021 totalled £47,473,000 (2020: £80,626,000). Amounts owed to subsidiary undertakings by the Company at 31 March 2021 totalled £51,058,000 (2020: £47,474,000).

The Company and certain subsidiary undertakings have entered into cross guarantees of bank loans, private placement loans and overdrafts to the Company. The total value of such borrowings at 31 March 2021 was £138.0 million (2020: £174.0 million).

## 28. CONTINGENT LIABILITIES

In an international Group a variety of claims arise from time to time in the normal course of business. Such claims may arise due to actions being taken against Group companies as a result of investigations by fiscal authorities or under regulatory requirements. Provision has been made in these consolidated financial statements against any claims which the directors consider are likely to result in significant liabilities or required under accounting standard IAS 37.

## 29. 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. Ackers P Investment Company Limited is ultimately controlled by a number of Trusts of which, for the purposes of Sections 252 to 255 of the Companies Act 2006, Jeremy Pilkington is deemed to be a connected person.

# Notes

## 30. SUBSIDIARY UNDERTAKINGS

The investments in trading subsidiary undertakings as at 31 March 2021 are:

| | Country of Registration or Incorporation | Principal Activity | Country of Principal Operation | Class and Percentage of Shares Held |
|---|---|---|---|---|
| Torrent Trackside Limited | England | Rail equipment hire | UK | Ordinary shares 100% |
| Hire Station Limited | England | Tool hire | UK | Ordinary shares 100% |
| 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% |
| Vp Equipment Rental Pty Limited | Australia | Holding company | Australia | Ordinary shares 100% |
| TR Pty Limited | Australia | Equipment hire | Australia | Ordinary shares 100% |
| VMS International Pty Limited | Australia | Equipment hire | Australia | Ordinary shares 100% |
| Tech Rentals (Malaysia) SDN BHD | Malaysia | Equipment hire | Malaysia | Ordinary shares 100% |
| Vidcom New Zealand Limited | New Zealand | Equipment hire | New Zealand | Ordinary shares 100% |

# Notes

## 30. SUBSIDIARY UNDERTAKINGS (continued)

The full list of the dormant subsidiary undertakings is:

| | Country of Registration or Incorporation | Principal Activity | Country of Principal Operation | Class and Percentage of Shares Held |
|---|---|---|---|---|
| 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% |
| Fred Pilkington & Son 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% |
| Datum Survey Products | 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% |
| Cool Customers 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% |
| 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% |
| MEP Hire Limited | Scotland | 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% |
| Mr Cropper Limited | England | Dormant | n/a | Ordinary shares 100% |
| Direct Instrument Hire Limited | England | Dormant | n/a | Ordinary shares 100% |
| Test & Measurement Hire Group Limited | England | Dormant | n/a | Ordinary shares 100% |
| Test & Measurement Hire Limited | England | Dormant | n/a | Ordinary shares 100% |
| Higher Access Limited | England | Dormant | n/a | Ordinary shares 100% |
| A.C.N. 098733638 Pty Limited | Australia | Dormant | n/a | Ordinary shares 100% |
| Zenith Survey Equipment Limited | England | Dormant | n/a | Ordinary shares 100% |
| Survey Connection Scotland Limited | England | Dormant | n/a | Ordinary shares 100% |
| Brandon Hire Group Limited | England | Dormant | n/a | Ordinary shares 100% |
| Brandon Hire Group Holdings Limited | England | Dormant | n/a | Ordinary shares 100% |
| Brandon Hire Limited | England | Dormant | n/a | Ordinary shares 100% |
| FNPR Holdings Limited | England | Dormant | n/a | Ordinary shares 100% |
| First National Plant Rental Limited | England | Dormant | n/a | Ordinary shares 100% |
| TPA Portable Roadways Limited | England | Dormant | n/a | Ordinary shares 100% |
| Sandhurst Limited | England | Dormant | n/a | Ordinary shares 100% |

# Notes

**30. SUBSIDIARY UNDERTAKINGS** (continued)

The registered offices of the companies are:

| Country of Registration | Registered Office Address |
|---|---|
| England | Central House, Beckwith Knowle, Otley Road, Harrogate HG3 1UD |
| Scotland | Mugiemoss Road, Bucksburn, Aberdeen AB21 9NP |
| Singapore | 9 Pioneer Sector 2, Singapore 628371 |
| Curacao | Brionplein 4, Curacao, Netherlands Antilles |
| Sharjah | SAIF Office P8-13-10, PO Box 121378, Sharjah, United Arab Emirates |
| Australia | 18 Joseph Street, Blackburn North, Victoria 3130 |
| Germany | Lurgiallee 6-8, 60439 Frankfurt |
| Ireland | 70 Sir John Rogerson's Quay, Dublin 2 |
| Malaysia | Wisma Goshen, 2nd Floor, 60 & 62 Jalan SS22/21, Damansara Jaya, 47400 Petaling Jaya, Selangor Dami Ehsan |
| New Zealand | 27 Exmouth Street, Eden Terrace, Auckland 101 |

# Five Year Summary

| | 2017<br>£000 | 2018<br>£000 | 2019<br>£000 | 2020<br>£000 | **2021**<br>**£000** |
|---|---|---|---|---|---|
| Revenue | 248,740 | 303,639 | 382,830 | 362,927 | **307,997** |
| Operating profit before amortisation and exceptionals | 37,757 | 44,018 | 51,571 | 55,480 | **30,928** |
| Profit before amortisation, taxation and exceptionals | 34,851 | 40,597 | 46,829 | 46,640 | **23,176** |
| Profit/(Loss) before taxation | 30,339 | 30,814 | 33,581 | 28,366 | **(2,269)** |
| Taxation | (6,687) | (6,448) | (7,759) | (9,779) | **(2,332)** |
| Profit/(Loss) after taxation | 23,652 | 24,366 | 25,822 | 18,587 | **(4,601)** |
| Dividends* | (7,632) | (8,983) | (10,853) | (12,055) | **(8,674)** |
| Share capital | 2,008 | 2,008 | 2,008 | 2,008 | **2,008** |
| Capital redemption reserve | 301 | 301 | 301 | 301 | **301** |
| Reserves | 134,980 | 152,110 | 166,549 | 167,585 | **150,781** |
| Total equity before non-controlling interest | 137,289 | 154,419 | 168,858 | 169,894 | **153,090** |
| **Share Statistics** | | | | | |
| Asset value | 342p | 385p | 421p | 423p | **381p** |
| Earnings (pre amortisation) | 69.52p | 84.91p | 95.14p | 90.21p | **46.56p** |
| Dividend** | 22.00p | 26.00p | 30.20p | 30.45p | **25.00p** |
| Times covered (pre amortisation) | 3.16 | 3.27 | 3.15 | 3.0 | **1.9** |

* 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. The special dividend of 22.00 pence per share declared on 17 January 2021 is in relation to the financial year ended 31 March 2020.

# 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
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

### Independent Auditors
PricewaterhouseCoopers LLP
Central Square, 29 Wellington Street, Leeds, LS1 4DL

### Solicitors
Squire Patton Boggs (UK) LLP
6 Wellington Place, Leeds LS1 4AP

### Registrars and Transfer Office
Link Asset Services, 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
Berenberg

### Public Relations
Buchanan Communications

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