Vp plc

Interim Report 2008

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Torrent Trackside
TPA

Chairman's Statement

It is very encouraging for the Group to have made good progress in the first six months of the financial year against a background of unprecedented turmoil in global financial markets and with the UK economy entering recession. However the economic effects of the liquidity problems in the banking sector started to impact our activities only towards the end of the period under review and even then not in all of our business sectors.

Profits before tax and amortisation are ahead 15% to £13.9 million on revenues ahead by 7% at £81.6 million. All businesses, with the exception of UK Forks, posted very satisfactory profit improvement in the first half, driven by strong first quarter performances. Operating margins improved slightly to 17.1%.

As a Group, we have a significant exposure to regulated markets and infrastructure projects via the water industry, the National Grid transmission upgrade and rail investment, as well as, of course our international oil and gas exploration support business. We have only a limited exposure to residential construction, the first and worst hit sector, through our UK Forks business and, to a lesser extent, the Hire Station tool rental activity.

Prospects for the trading environment within which the Group operates are more difficult to predict than ever but overall we anticipate that, with the possible exception of oil and gas related work, market conditions will decline further before they improve.

Over the last eighteen months we have, both by organic product extension and acquisition, added a number of new revenue streams to our business mix. Whilst most are still relatively small and at an early stage of development, we believe they provide the Group with the seeds for future growth and diversification, whilst remaining within our strategic focus on specialist rental sectors.

Capital investment in rental fleet in the first half remained strong at £17.6 million with a further £5.0 million spent on acquisitions. We ended the period with a comfortable level of financial gearing of 57%, a modest increase on last year end (31 March 2008: 51%). We expect capital investment to reduce in the second half, reflecting trading conditions, but we retain the flexibility to take advantage of opportunities as they may arise.

Reflecting these results and looking beyond the immediate challenges, your Board is declaring an interim dividend of 3.1p per share, an increase of 11% on last year, payable on 5 January 2009 to shareholders registered at 5 December 2008.

Groundforce

Groundforce delivered better margins on strong revenue growth, benefiting from good demand from the infrastructure and utility sectors and some early site preparation work for the Olympics. The acquisitions made towards the end of the previous financial year, in Ireland and in trenchless technology in the UK, are performing satisfactorily. In the current period we acquired a regional competitor in the UK shoring market which has been fully integrated within the existing Groundforce structure.

UK Forks

As anticipated, UK Forks did not replicate the exceptional performance it delivered in the first half of last year being affected by the progressive decline in house building activity during the period. Nevertheless, UK Forks has delivered a very satisfactory result under the circumstances, assisted by strong asset disposal profits. Ongoing adjustments are being made to optimise the hire fleet and at the same time the cost base of the business is being managed in anticipation of difficult trading conditions continuing for some time.

Chairman's Statement

Airpac Bukom

Airpac Bukom's revenues and profits have benefited from the significant capital investment programme of the last two years. The three additional overseas hubs in Sharjah, Curacao and Perth give Airpac Bukom an unrivalled platform from which to leverage our expertise within these key regions. We expect exploration activity to remain strong even though the oil price has fallen back from its all time highs and we therefore believe that prospects for this business remain very good.

Torrent Trackside

Torrent Trackside improved margins on static revenues although still against a relatively weak and unpredictable release of workload by Network Rail. We believe that the flow of work from both Network Rail and the London Underground consortiums will improve going forward. Torrent Trackside remains market leader within its sector and Government commitment to further rail infrastructure improvements should continue to generate growth within this market.

TPA

TPA reported a strong first half performance with improved revenues and margins supported by high demand from the summer outdoor events market and the National Grid transmission infrastructure upgrade programme which has continued to develop during the period.

TPA's German subsidiary continued to grow strongly, albeit from a small base, and we believe prospects within the European market are very promising. Seasonality remains a feature of the business and the challenge over the coming months will be to minimise erosion of the progress made in the first half.

Hire Station

Hire Station has entered a period of more mature rates of growth but still delivered an excellent uplift in profitability and margins. This was achieved despite a quiet summer season for cooling equipment and without the flood remediation work which last year added materially to activity levels in the first half. The specialist product and service lines which represent about a third of the division continued to make excellent progress. During the period, Hire Station acquired three businesses; a specialist heating solutions provider, an opportunistic expansion to its tool operations in the North East and the purchase of an in-house plant company together with an associated three year exclusive supply agreement. An additional four greenfield branches were opened in the first half and post period end, the branch network was further strengthened by a single branch acquisition on the South Coast.

Outlook

We have delivered what we believe to be a very creditable performance for the first half.

The winter always presents us with an unpredictable trading period but given the further erosion of business confidence during the autumn, we expect construction activity levels to reduce further in the coming months. However your Group is well placed with a diversity of businesses deriving significant revenues from outside of the mainstream construction sector and we expect that the result for the full year will be satisfactory.

We believe our long term focus on a broad range of specialist rental markets will offer some resilience against the economic downturn and positions us to benefit when more normal trading conditions resume.

Jeremy Pilkington
Chairman
25 November 2008

Condensed Consolidated Income Statement
for the period ended 30 September 2008

	Note	**Six months to 30 Sep 2008 (unaudited)**	Six months to 30 Sep 2007 Restated (unaudited)	Full year to 31 Mar 2008 (audited)
		£000	£000	£000
Revenue	3	**81,604**	76,008	149,269
Cost of sales		**(55,108)**	(50,545)	(104,856)
Gross profit		**26,496**	25,463	44,413
Administrative expenses		**(11,019)**	(12,125)	(21,437)
Operating profit before amortisation	3	**15,894**	13,447	23,271
Amortisation of intangibles		**(417)**	(109)	(295)
Operating profit		**15,477**	13,338	22,976
Net financial expenses		**(1,950)**	(1,364)	(3,119)
Profit before amortisation and taxation		**13,944**	12,083	20,152
Amortisation of intangibles		**(417)**	(109)	(295)
Profit before taxation		**13,527**	11,974	19,857
Income tax expense	4	**(3,653)**	(2,840)	(4,462)
Net profit for the period		**9,874**	9,134	15,395
Basic earnings per share	8	**23.55p**	21.40p	36.09p
Diluted earnings per share	8	**22.64p**	20.35p	34.26p
Dividend per share	9	**3.10p**	2.80p	10.50p
Dividends paid and proposed (£000)		**1,299**	1,195	4,409

Condensed Consolidated Statement of Recognised Income and Expense
for the period ended 30 September 2008

	Six months to 30 Sep 2008 (unaudited)	Six months to 30 Sep 2007 Restated (unaudited)	Full year to 31 Mar 2008 (audited)
	£000	£000	£000
Actuarial losses on defined benefit pension scheme	**-**	-	(419)
Tax on items taken direct to equity	**-**	-	126
Impact of change in tax rate on items taken direct to equity	**-**	(56)	(65)
Effective portion of changes in fair value of cash flow hedges	**(239)**	(160)	(729)
Foreign exchange translation difference	**17**	-	238
Net expense recognised direct to equity	**(222)**	(216)	(849)
Profit for the period	**9,874**	9,134	15,395
Total recognised income and expense for the period	**9,652**	8,918	14,546

Condensed Consolidated Balance Sheet
At 30 September 2008

	Note	30 Sep 2008 (unaudited) £000	31 Mar 2008 Restated (audited) £000	30 Sep 2007 Restated (unaudited) £000
Non-current assets				
Property, plant and equipment	5	**108,528**	100,867	89,585
Goodwill	6	**37,523**	35,340	34,103
Intangible assets		**7,568**	5,979	3,349
Total non-current assets		**153,619**	142,186	127,037
Current assets				
Inventories		**5,251**	4,794	4,938
Trade and other receivables		**37,985**	32,779	39,193
Cash and cash equivalents		**2,204**	4,987	6,746
Total current assets		**45,440**	42,560	50,877
Total assets		**199,059**	184,746	177,914
Current liabilities				
Interest bearing loans and borrowings		**(1,013)**	(9,757)	(15,866)
Income tax payable		**(4,074)**	(2,560)	(2,970)
Trade and other payables		**(39,435)**	(40,697)	(37,884)
Total current liabilities		**(44,522)**	(53,014)	(56,720)
Non-current liabilities				
Interest bearing loans and borrowings		**(65,902)**	(48,679)	(36,283)
Employee benefits		**(1,321)**	(1,433)	(1,886)
Other payables		**-**	-	(4,240)
Deferred tax liabilities		**(8,659)**	(7,826)	(6,967)
Total non-current liabilities		**(75,882)**	(57,938)	(49,376)
Total liabilities		**(120,404)**	(110,952)	(106,096)
Net assets		**78,655**	73,794	71,818
Equity				
Issued capital		**2,309**	2,309	2,309
Share premium		**16,192**	16,192	16,192
Hedging reserve		**(691)**	(452)	117
Retained earnings		**60,818**	55,718	53,173
Total equity attributable to equity holders of parent		**78,628**	73,767	71,791
Minority interest		**27**	27	27
Total equity	7	**78,655**	73,794	71,818

Condensed Consolidated Statement of Cash Flows

for the period ended 30 September 2008

	Note	**Six months to 30 Sep 2008 (unaudited) £000**	Six months to 30 Sep 2007 Restated (unaudited) £000	Full year to 31 Mar 2008 (audited) £000
Cash flows from operating activities				
Profit before taxation		**13,527**	11,974	19,857
Adjustment for:				
Pension fund contributions in excess of service cost		**(113)**	(222)	(1,034)
Share based payment charges		**638**	498	1,355
Depreciation	5	**9,268**	8,546	17,810
Amortisation of intangibles		**417**	109	295
Net financial expense		**1,950**	1.364	3,119
Profit on sale of property, plant and equipment		**(2,190)**	(1,731)	(3,373)
Operating cash flow before changes in working capital and provisions		**23,497**	20,538	38,029
(Increase)/decrease in inventories		**(361)**	55	467
Increase in trade and other receivables		**(4,676)**	(8,761)	(1,957)
(Decrease)/increase in trade and other payables		**(3,543)**	5,463	5,498
Cash generated from operations		**14,917**	17,295	42,037
Interest paid		**(2,017)**	(1,397)	(3,031)
Interest element of finance lease rental payments		**(103)**	(77)	(158)
Interest received		**29**	132	88
Income tax paid		**(2,231)**	(1,051)	(3,611)
Net cash from operating activities		**10,595**	14,902	35,325
Investing activities				
Proceeds from sale of property, plant and equipment		**5,959**	4,583	10,284
Purchase of property, plant and equipment		**(20,405)**	(25,758)	(45,470)
Acquisition of businesses and subsidiaries (net of cash and overdrafts)	6	**(4,985)**	(1,889)	(9,556)
Net cash from investing activities		**(19,431)**	(23,064)	(44,742)
Cash flows from financing activities				
Purchase of own shares by Employee Trust		**(1,890)**	(691)	(3,489)
Repayment of loans		**(15,543)**	-	-
Repayment of loan notes		**-**	(70)	(70)
New loans		**24,500**	4,500	16,000
New finance lease		**-**	28	29
Payment of hire purchase and finance lease liabilities		**(1,031)**	(521)	(1,205)
Dividends paid	9	**-**	-	(3,761)
Net cash from financing activities		**6,036**	3,246	7,504
Net decrease in cash and cash equivalents		**(2,800)**	(4,916)	(1,913)
Effect of exchange rate fluctuations on cash held		**17**	-	238
Cash and cash equivalents at beginning of period		**4,987**	6,662	6,662
Cash and cash equivalents at end of period		**2,204**	1,746	4,987

Notes to the Condensed Financial Statements

1. Basis of Preparation

Vp plc (the "Company") is a company domiciled in the United Kingdom. The Condensed Consolidated Interim Financial Statements of the Company for the half year ended 30 September 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

This interim announcement has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and the requirements of IAS34 ("Interim Financial Reporting") as adopted by the EU. The accounting policies applied are consistent for all periods presented and are in line with those applied in the annual financial statements for the year ended 31 March 2008 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The interim announcement was approved by the Board of Directors on 24 November 2008.

The Condensed Consolidated Interim Financial Statements do not include all the information required for full annual Financial Statements.

Subject to the restatement for hindsight adjustments referred to below, the comparative figures for the financial year ended 31 March 2008 are extracted from the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; these form the basis of the judgements relating to carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Balance Sheet and Income Statement comparatives disclosed for the six month period ended 30 September 2007 have been restated to reflect movements from goodwill to intangibles and the associated amortisation. The impacts of the restatements on the Balance Sheet were an increase in the deferred tax liability of £441,000, an increase in intangible assets of £1,918,000 and a decrease in goodwill of £1,591,000. In the Income Statement amortisation of intangibles increased by £97,000.

The Balance Sheet at 31 March 2008 has also been restated to reflect minor hindsight adjustments on acquisitions made in that year.

2. Risks and Uncertainties

The risks and uncertainties for the Group have not changed from those disclosed in the last statutory accounts. In particular the Group comprises six businesses serving different markets and manages the risks inherent to these activities. The key external risks include general economic conditions, competitor actions, the effect of legislation, credit risk and business continuity. Internal risks relate mainly to investment and controls failure risk. The Group seeks to mitigate exposure to all forms of risk where practicable and to transfer risk to insurers where cost effective. The diversified nature of the Group limits the exposure to external risks within particular markets. Exposure to credit risk in relation to customers, banks and insurers is managed through credit control practices including credit insurance which limits the Group's exposure to bad debts via an aggregate first loss policy which covers the majority of the Group's accounts receivable. Business continuity plans exist for key operations and accounting centres. The Group is an active acquirer and acquisitions may involve risks that might materially affect the Group performance. These risks are mitigated by extensive due diligence and appropriate warranties and indemnities from the vendors.

Taking into account these risk mitigation actions and the treasury management policies described in the 31 March 2008 accounts, the Group's exposure to market, liquidity and credit risk is considered by the Board to be within normal parameters and represents an acceptable level of risk.

3. Summarised Segmental Analysis

	Revenue		Operating Profit Before Amortisation	
	2008	2007	**2008**	2007 Restated
	£000	£000	**£000**	£000
Groundforce	**19,913**	17,260	**5,587**	4,563
UK Forks	**7,813**	8,098	**1,535**	1,929
Airpac Bukom	**7,442**	6,075	**1,538**	1,358
Hire Station	**28,911**	29,340	**4,224**	3,449
Torrent Trackside	**6,595**	6,519	**506**	366
TPA	**10,930**	8,716	**2,504**	1,782
	81,604	76,008	**15,894**	13,447

4. Income Tax

The effective tax rate of 27.0% in the period to 30 September 2008 (30 September 2007: 23.7%) reflects the standard rate of tax of 28% as adjusted for estimated permanent differences for tax purposes and adjustments to prior year provisions.

Notes to the Condensed Financial Statements

5. Property, Plant and Equipment

	Sept 2008	Sept 2007	Mar 2008 Restated
	£000	£000	£000
Carrying amount 1 April	**100,867**	76,797	76,797
Additions	**19,170**	23,530	45,287
Acquisitions	**1,528**	656	3,538
Restatement of acquisitions	**-**	-	(34)
Depreciation	**(9,268)**	(8,546)	(17,810)
Disposals	**(3,772)**	(2,852)	(6,911)
Effect of movements in exchange rates	**3**	-	-
Closing carrying amount	**108,528**	89,585	100,867

The value of capital commitments at 30 September 2008 was £8,645,000 (31 March 2008: £10,094,000).

6. Acquisitions

The Group acquired the following businesses in the period to 30 September 2008:

Name of acquisition	Date of acquisition	Type of acquisition	Principle activity
Redding Hire Limited	3 April 2008	Share purchase (100% equity)	Hire and sale of shoring products
Arcotherm (UK) Limited	18 April 2008	Share purchase (100% equity)	Hire and sale of heating and cooling equipment
D J Tool Hire Limited	24 April 2008	Business and assets	Hire and sale of small tools
UCS Plant Limited	27 June 2008	Business and assets	Hire and sale of small tools

None of the acquisitions in the current period were individually material in Group terms and hence the details are provided in aggregate below:

	£000
Property, plant and equipment	1,528
Current assets	626
Cash	143
Tax, trade and other payables	(1,377)
Book value of assets acquired	920
Intangibles on acquisition	2,006
Deferred tax on intangibles	(316)
Fair value of assets acquired	2,610
Goodwill on acquisition	2,183
Cost of acquisitions	4,793
Satisfied by	
Cash consideration	4,708
Acquisition costs	85
	4,793
Analysis of cash flow for acquisitions	
Consideration	4,708
Acquisition costs	85
Cash included in acquisitions	(143)
Payment of deferred consideration	270
Adjustment for accruals	65
	4,985

Certain of the fair values included above are provisional due to the timing of acquisitions and will be finalised within 12 months of the acquisition date.

As a result of the immediate integration of the acquisitions into Hire Station's and Groundforce's business, including the transfer of assets between branches, it is not possible to accurately disclose separately the trading performance of the acquisitions in the Income Statement. For the same reason it is not possible to disclose what the revenue or profit for the combined entity would have been had all business combinations effected in the period occurred on 1 April 2008.

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

Notes to the Condensed Financial Statements

7. Statement of Changes in Equity

	Six months to 30 Sep 2008	Six months to 30 Sep 2007 Restated	Full year to 31 Mar 2008
	£000	£000	£000
Total recognised income and expense for the period	**9,652**	8,918	14,546
Tax movements to equity	**(287)**	-	(451)
Impact of change in tax rate on items taken directly to equity	**-**	(51)	(20)
Share option charge in the period	**638**	498	1,355
(Losses)/gains on disposal of shares	**(38)**	160	64
Net movement in shares held by Vp Employee Trust at cost	**(1,890)**	(691)	(3,489)
Dividends to shareholders	**(3,214)**	(2,566)	(3,761)
Change in equity during the period	**4,861**	6,268	8,244
Equity at the start of the period	**73,794**	65,550	65,550
Equity at the end of the period	**78,655**	71,818	73,794

Included in the above changes is a charge to reserves of £239,000 (September 2007: £160,000 charge, March 2008: £729,000 charge) in the Hedging Reserve. There were no changes in Issued Share Capital or Share Premium.

8. Earnings Per Share

Earnings per share have been calculated on 41,922,500 shares (2007: 42,684,615) being the weighted average number of shares in issue during the period. Diluted earnings per share have been calculated on 43,618,604 shares (2007: 44,886,741) adjusted to reflect conversion of all potentially dilutive ordinary shares.

9. Dividends

The Directors have declared an interim dividend of 3.10 pence (2007: 2.80 pence) per share payable on 5 January 2009 to shareholders on the register at 5 December 2008. The dividend proposed at the year end was subsequently approved at the AGM in September and therefore accrued, but was not paid in the period (2007 paid: nil). The cost of dividends in the Statement of Changes in Equity is after adjustments for the interim and final dividends waived by the Vp Employee Trust in relation to the shares it holds for the Group's share option schemes.

10. Analysis of Net Debt

	As at 1 Apr 08	Cash Flow	Acquisitions	As at 30 Sep 08
	£000	£000	£000	£000
Cash in hand and at bank less overdrafts	4,987	(2,783)	-	2,204
Revolving credit facilities / medium term loans	(56,543)	(8,957)	-	(65,500)
Finance leases and hire purchase contracts	(1,893)	1,031	(553)	(1,415)
	(53,449)	(10,709)	(553)	(64,711)

During the period the Group has replaced its £20m 364 day revolving credit facility with a three year committed facility increasing total committed facilities to £70m. In addition the Group continues to have overdraft facilities totalling £15m. Underlying financial gearing, excluding investment in own shares at cost, was 57% (51% at 31 March 2008).

11. Subsequent Events

Since the half year the Group has made one acquisition totalling £1.1m (Power Tool Supplies Limited).

Notes to the Condensed Financial Statements

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU

- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Mike Holt
Group Finance Director
25 November 2008

The Board

The Board of Directors who served during the six months to 30 September 2008 is unchanged from that set out on page 14 of the Annual Report and Financial Statements 2008. With effect from 1 October 2008, Stephen Rogers joined the Board as a Non-Executive Director.

Independent Review Report to Vp plc

We have been engaged by the Company to review the condensed set of Financial Statements in the half-yearly financial report for the six months ended 30 September 2008 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Cash Flows, Condensed Consolidated Statement of Recognised Income and Expense and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of Financial Statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of Financial Statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the half-yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc

Chartered Accountants Leeds

25 November 2008