

Vp plc interim report 2004

chairman's statement

FINANCIAL OVERVIEW

I am pleased to report on a further period of very satisfactory progress for Vp in the six months to 30 September 2004. The overall performance of the Group was strong, delivering a 15% increase in profit before tax, to £4.7 million (2003: £4.1 million) on turnover rising by 11% to £45.6 million (2003: £40.9 million). Earnings per share improved in line with profit growth to 7.52 pence (2003: 6.47pence).

The excellent cash generative qualities of the Group were demonstrated by a cash inflow from operating activities of £9.3 million (2003: £7.6 million). Capital investment in the rental fleet totalled £7.8 million (2003: £6.2 million). No acquisitions were made in the period. Net debt at 30 September 2004 was £3.4 million (31 March 2004: £7.5 million) representing gearing of 6% on shareholders funds of £54.4 million. Return on capital employed rose to 17% (2003: 14%).

Recognising the performance and prospects for the Group, the Board has declared an increased interim dividend of 1.75 pence per share (2003: 1.60 pence), an increase of 9%. This dividend will be payable on 7 January 2005 to shareholders registered as at 10 December 2004.

BUSINESS OVERVIEW

Groundforce

Rental and sales of excavation support systems to the water, civil engineering and construction industries, plus three specialist offerings: Piletec - pile driving and breaking; Stopper Specialists - pipe integrity testing; Survey Technology - surveying and water flow measurement.

Groundforce has again produced excellent results on the back of broadly based demand for both the core excavation support products and its specialist services. Turnover rose by 51% to £12.7 million (2003: £8.4 million) and operating profits were 26% ahead at £2.8 million (2003: £2.2 million).

The core shoring activity enjoyed good trading and last year's acquisitions provided additional impetus to strong underlying organic growth. Demand continues from the run out of the current five year water industry asset management plan (AMP3) which ends in March 2005. We look forward to an early implementation of the subsequent AMP4 programme.

The specialist activities within the division, Piletec, Stoppers and Survey Technology all progressed well in the period.

chairman's statement

UK Forks

Hire of rough terrain material handling equipment to industry, residential and general construction.

UK Forks had a satisfactory first half. Turnover rose 3% to £6.4 million (2003: £6.2 million) and the business reported operating profits of £0.8 million (2003: £0.8 million). Progress continues to be made across all markets including residential construction where stronger alliances with a number of major housebuilders offer the prospect of increased market share.

Airpac Oilfield Services

Rental of specialist air compressors and associated equipment to the international oil and gas exploration and development markets.

Turnover increased by 16% to £2.2 million (2003: £1.9 million) and operating profits doubled to £0.6 million (2003: £0.3 million). Airpac enjoyed an excellent period of trading with both the North Sea and international markets, including our Singapore based operation, being very positive. The current high price of crude oil is supporting a buoyant level of exploration and development activity.

Hire Station

Rental and sale of small tools to industry and construction plus two specialist offerings: Safeforce - safety and environmental products, Lifting Point - materials handling and lifting gear hire.

Turnover in the period was £17.4 million (2003: £18.8 million) with an operating loss of £0.3 million (2003: profit of £0.1 million). This loss, whilst disappointing, disguises the significant progress made during the first half within this recovering business. Trading in the first quarter was weak but a steady recovery saw the core tool hire business move into profit in the second quarter. Progress in the relatively new Safeforce and Lifting Point businesses has been slower than anticipated. The management of these specialist activities has been merged to accelerate the rate of improvement.

Torrent Trackside

Hire of portable rail infrastructure equipment, lighting and related services to the rail renewals and maintenance industry.

Turnover rose 23% to £6.9 million (2003: £5.6 million) with operating profit increasing 25% to £1.3 million (2003: £1.1 million). Whilst we have experienced the anticipated margin pressure at Torrent, this result represents a highly creditable performance. The renewals sector has been strong and maintenance activity has continued at a satisfactory but reduced level.

GROUP OUTLOOK

Our performance in the first half of this financial year underlines the breadth and strength of our business units. We will continue to use our financial strength in support of growth within all our business areas.

We expect a satisfactory outcome for the year.

Jeremy Pilkington

Chairman

2 December 2004

consolidated profit and loss account

	notes	six months to 30 Sep 2004 (unaudited)	six months to 30 Sep 2003 (unaudited)	year to 31 Mar 2004
		£000	£000	£000
Turnover		<u>45,601</u>	<u>40,917</u>	<u>83,497</u>
Trading profit		10,818	9,858	20,211
Depreciation		(5,709)	(5,395)	(11,180)
Operating profit before goodwill amortisation		<u>5,109</u>	<u>4,463</u>	<u>9,031</u>
Amortisation of goodwill		(211)	(174)	(377)
Operating profit		<u>4,898</u>	<u>4,289</u>	<u>8,654</u>
Profit on disposal of properties		-	-	643
Profit on ordinary activities before interest		<u>4,898</u>	<u>4,289</u>	<u>9,297</u>
Net interest payable		(188)	(210)	(429)
Profit on ordinary activities before taxation		<u>4,710</u>	<u>4,079</u>	<u>8,868</u>
Taxation		(1,460)	(1,264)	(2,529)
Profit on ordinary activities after taxation		<u>3,250</u>	<u>2,815</u>	<u>6,339</u>
Dividends	4	(761)	(698)	(2,142)
Retained profit for the period		<u>2,489</u>	<u>2,117</u>	<u>4,197</u>
Earnings per 5p ordinary share	5	7.52p	6.47p	14.59p
Diluted earnings per 5p ordinary share	5	7.26p	6.33p	14.20p
Earnings per 5p ordinary share before goodwill amortisation	5	8.01p	6.87p	15.46p
Dividend per 5p ordinary share	4	1.75p	1.60p	5.00p

All the activities reflected in the profit and loss account are continuing as defined by FRS 3.

consolidated balance sheet

	30 Sep 2004 (unaudited)		31 Mar 2004 restated		30 Sep 2003 (unaudited) restated	
	£000	£000	£000	£000	£000	£000
Fixed assets						
Intangible assets - goodwill	7,052		7,136		6,453	
Tangible assets	<u>48,073</u>		<u>49,911</u>		<u>50,245</u>	
		55,125		57,047		56,698
Current assets						
Stocks	2,098		2,018		1,934	
Debtors	23,131		21,694		21,713	
Cash at bank and in hand	<u>4,794</u>		<u>1,087</u>		<u>1,207</u>	
	30,023		24,799		24,854	
Creditors: amounts falling due within one year	<u>(18,491)</u>		<u>(17,384)</u>		<u>(26,463)</u>	
Net current assets/(liabilities)		<u>11,532</u>		<u>7,415</u>		<u>(1,609)</u>
Total assets less current liabilities		66,657		64,462		55,089
Creditors: amounts falling due after more than one year		(8,203)		(8,313)		(403)
Provisions for liabilities and charges		(4,044)		(4,319)		(4,325)
Net assets		<u>54,410</u>		<u>51,830</u>		<u>50,361</u>
Capital and reserves						
Called up share capital		2,309		2,309		2,309
Share premium account		16,192		16,192		16,192
Revaluation reserve		599		599		832
Profit and loss account		<u>35,283</u>		<u>32,703</u>		<u>31,001</u>
Equity shareholders' funds		54,383		51,803		50,334
Equity minority interests		27		27		27
		<u>54,410</u>		<u>51,830</u>		<u>50,361</u>

consolidated cash flow statement

	notes	six months to 30 Sep 2004 (unaudited)	six months to 30 Sep 2003 (unaudited)	year to 31 Mar 2004
		£000	£000	£000
Net cash inflow from operating activities	6	9,283	7,622	16,791
Net cash outflow from returns on investments and servicing of finance		(196)	(203)	(442)
Tax paid		(1,521)	(819)	(2,407)
Net cash outflow from capital expenditure and financial investment		(3,578)	(4,675)	(6,484)
Net cash inflow/(outflow) from acquisitions and disposals		55	(3,087)	(6,465)
Equity dividends paid		-	-	(1,984)
Cash inflow/(outflow) before management of liquid resources and financing		<u>4,043</u>	<u>(1,162)</u>	<u>(991)</u>
Net outflow from financing		(341)	(961)	(1,252)
Increase/(decrease) in cash in the period		<u>3,702</u>	<u>(2,123)</u>	<u>(2,243)</u>

notes

1. Basis of preparation

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's financial statements as at 31 March 2004, with the exception that the Group has amended its policies to take account of UITF 17 (Revised) and UITF 38 in relation to the cost of share options and the presentation in the balance sheet of shares held by the Vp Employee Trust. Prior year adjustments have been made to the balance sheet to reflect the adoption of these new standards. No prior year adjustments have been made to the profit and loss account on the basis that the difference is not material.

A tax rate of 31% has been used in the profit and loss account to reflect the estimated tax charge for the full year.

The Group has reviewed the implications of implementing International Financial Reporting Standards (IFRS). Results for the full year ending 31 March 2005 will be reported under UK GAAP. The 2005 interim results will be the first set of results for which IFRS is mandatory and a reconciliation to IFRS will be provided for comparative purposes.

2. Total recognised gains and losses

All recognised gains and losses for the reporting periods are reflected in the consolidated profit and loss account.

3. Reconciliation of movements in consolidated shareholders' funds for the six months ended 30 September 2004

	six months to 30 Sep 2004 (unaudited)	year to 31 Mar 2004	six months to 30 Sep 2003 (unaudited)
	£000	£000	£000
Profit for the period	3,250	6,339	2,815
Dividends	(761)	(2,142)	(698)
Retained profit for the period	2,489	4,197	2,117
Net movement in the period for gains/losses on share options and disposal of shares	139	10	14
Net movement in shares held by Vp Employee Trust at cost	(53)	(793)	(186)
Foreign exchange difference	5	-	-
Increase in shareholders' funds	2,580	3,414	1,945
Opening shareholders' funds	51,803	49,921	49,921
Prior year adjustments			
Reclassification of shares held by Vp Employee Trust at cost	-	(1,715)	(1,715)
Reversal of provision for cost of share options	-	183	183
Closing shareholders' funds	54,383	51,803	50,334

notes

4. The Directors are proposing an interim dividend of 1.75 pence (2003: 1.60 pence) per share payable on 7 January 2005 to shareholders registered as at 10 December 2004. The profit and loss account charge for dividends reflects the 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.
5. Earnings per share have been calculated on 43,232,175 shares (2003: 43,525,026) being the weighted average number of shares in issue during the year. Diluted earnings per share have been calculated on 44,785,682 shares (2003: 44,439,546).

6. Reconciliation of operating profit to net cash inflow from operating activities.

	six months to 30 Sep 2004 (unaudited)	six months to 30 Sep 2003 (unaudited)	year to 31 Mar 2004
	£000	£000	£000
Operating profit	4,898	4,289	8,654
Depreciation	5,709	5,395	11,180
Amortisation of goodwill	211	174	377
Profit on sale of tangible fixed assets	(405)	(482)	(1,209)
(Increase)/decrease in stocks	(80)	258	175
Increase in debtors	(1,367)	(1,810)	(1,922)
Increase/(decrease) in creditors	317	(202)	(464)
Net cash inflow from operating activities	<u>9,283</u>	<u>7,622</u>	<u>16,791</u>

7. Analysis of net debt (unaudited)

	as at 1 Apr 2004 £000	cash flow £000	exchange differences £000	as at 30 Sep 2004 £000
Cash at bank and in hand	1,087	3,702	5	4,794
Medium term loan	(8,111)	100	-	(8,011)
Loan notes	(245)	95	-	(150)
Finance leases and hire purchase	(223)	146	-	(77)
	<u>(7,492)</u>	<u>4,043</u>	<u>5</u>	<u>(3,444)</u>

Other information

Comparative figures

The comparative figures for the financial year ended 31 March 2004 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

independent review report by kpmg audit plc to vp plc

Introduction

We have been engaged by the company to review the financial information set out on pages 3 to 7 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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 Listing Rules of the Financial Services Authority. 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2004.

KPMG Audit Plc

Chartered Accountants

Leeds

2 December 2004