



interim**report**2003

chairman's statement

FINANCIAL OVERVIEW

I am pleased to report another satisfactory overall performance for the Group in the six months to 30 September 2003 in which all businesses with the exception of Hire Station achieved strong results. Turnover rose 10% to £40.9m (2002: £37.1m) and profit before tax increased to £4.1m (2002: £4.0m). Earnings per share improved to 6.47 pence (2002: 6.34 pence).

Cash inflow from operating activities was £7.6m (2002: £7.9m). Net debt at 30 September 2003 was £7.7m (31 March 2003: £6.1m) representing gearing of 15% on shareholders funds of £52.0m.

The Board has declared an interim dividend of 1.6p per share (2002: 1.5p), an increase of 6.7%. This dividend will be payable on 9 January 2004 to shareholders registered as at 12 December 2003.

BUSINESS OVERVIEW

UK Forks

Hire of rough terrain, material handling equipment and accessories to the housebuilding and construction industry.

UK Forks had a most satisfactory first half. Turnover rose 19% to £6.2m (2002: £5.3m) and operating profits 17% to £0.84m (2002: £0.72m). Levels of residential construction, UK Forks largest single market sector, remained steady and we made further progress in securing longer term relationships with major house builders. General residential and commercial activity was buoyed by infrastructure and PFI related spending.

Groundforce

Rental, sale and design of shoring systems and allied services to the water, civil engineering and construction industries.

Groundforce continued the pattern of last year's strong performance with turnover rising by 53% to £8.4m (2002: £5.5m) and operating profits ahead by 144% at £2.2m (2002: £0.9m). These excellent results from Groundforce were driven by particularly strong demand in the Southeast and good performances from the specialist Piletec and Stoppers divisions. The results include modest maiden contributions from the acquisitions in the period of Trench Shore Ltd and Indepth Hire.

In July we announced the acquisition of Trench Shore Ltd for £2.7m. Trench Shore extends our product offering and geographic coverage giving us particular strength in the critical Southeast market. Trench Shore has now been fully integrated within Groundforce and has performed in line with our expectations.

In September we announced the acquisition of Indepth Hire for a cash consideration of £450k. Indepth Hire is engaged in the hire, service and calibration of clean water management equipment and complements the range of services that Groundforce offers to its customers.

chairman's statement

Airpac Oilfield Services

Servicing the international oil and gas exploration and development markets with specialist air compressors and associated equipment.

Airpac is now a pure oilfield service support business following the disposal of its non core on-shore rental activities in the last financial year. We have enjoyed good demand from the North Sea sector but our new Singapore base experienced lower levels of project activity than in the first half of last year. Turnover fell 41% to £1.9m (2002: £3.2m) due to the elimination of the on-shore revenue, but operating profits improved 10% to £0.33m (2002: £0.30m).

We continue to invest in improving our customer support capability particularly for the larger, overseas projects.

Hire Station

Rental and sale of tools, small equipment and allied services to industry, construction and homeowners, plus three specialist offerings : Safeforce - hire and sale of safety and survey products, asset management and training services, Lifting Point - materials handling and lifting gear hire, One Call - national call centre for tool hire.

Turnover in the period rose to £18.8m (2002: £17.8m). Operating profit was £0.1m (2002: £1.2m).

Hire Station results, although achieving a level of improvement over its performance in the second half of last year, are clearly disappointing. We have taken robust measures throughout the year to restore the performance of this business including the recent appointment of John Singleton as the new Managing Director. John has managed our Services businesses for five years and in this role has had significant success in implementing business change and delivering profit growth.

Additional measures taken at Hire Station in the first half of the year include the closure of two further administrative centres and a number of marginal branches. Although limited financial benefit has been derived in the period under review, we believe these changes will contribute to the establishment of a platform from which the business can generate acceptable levels of return in the future. We have continued the rollout of our Safeforce and Lifting Point specialist brands which we believe will be increasingly important elements of the product offering in the future.

Torrent Trackside

Hire of portable track repair and renewals equipment, trackside lighting and related support services to rail infrastructure maintenance companies.

Turnover rose 6% to £5.6m (2002: £5.3m) but tighter margins held profits back to £1.1m (2002: £1.4m).

In October, Network Rail announced that it would be taking track maintenance contracts back in-house. It is difficult to assess the impact this decision may have on our business, but early indications are that maintenance work is likely to be relatively unaffected. However we have already seen some delay in the release of certain renewals contracts.

Nevertheless, Torrent has produced very satisfactory results and we remain confident that the rail infrastructure investment programme will continue to provide significant opportunities for Torrent as a major supplier to the rail industry.

OUTLOOK

We believe that our diversified market exposure is demonstrating its value and provides resilience against varying economic conditions. In addition, our strong balance sheet enables us to take advantage of growth opportunities as they arise.

The Group is well positioned to deliver a satisfactory outcome for the year.

J.F.G. Pilkington
Chairman & Chief Executive
1 December 2003

consolidated profit and loss account

	Notes	Six months to 30 Sep 2003 (unaudited)	Six months to 30 Sep 2002 (unaudited)	Year to 31 Mar 2003
		£000	£000	£000
Turnover		<u>40,917</u>	<u>37,098</u>	<u>75,546</u>
Trading profit		9,858	9,571	18,687
Depreciation		(5,395)	(5,049)	(10,282)
Operating profit before goodwill amortisation		<u>4,463</u>	<u>4,522</u>	<u>8,405</u>
Amortisation of goodwill		(174)	(156)	(318)
Operating profit		<u>4,289</u>	<u>4,366</u>	<u>8,087</u>
Net interest payable		(210)	(356)	(581)
Profit on ordinary activities before taxation		<u>4,079</u>	<u>4,010</u>	<u>7,506</u>
Taxation		(1,264)	(1,243)	(2,119)
Profit on ordinary activities after taxation		<u>2,815</u>	<u>2,767</u>	<u>5,387</u>
Dividends				
- Interim	5	(698)	(654)	(654)
- Final		-	-	(1,310)
Retained profit for the period		<u>2,117</u>	<u>2,113</u>	<u>3,423</u>
Earnings per 5p ordinary share	6	6.47p	6.34p	12.36p
Diluted earnings per 5p ordinary share	6	6.33p	6.21p	12.13p
Earnings per 5p ordinary share before goodwill amortisation	6	6.87p	6.70p	13.08p
Dividend per 5p ordinary share	5	1.60p	1.50p	4.50p

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

consolidated balance sheet

	30 Sep 2003 (unaudited)		31 Mar 2003		30 Sep 2002 (unaudited)	
	£000	£000	£000	£000	£000	£000
Fixed assets						
Intangible assets - goodwill	6,453		5,814		5,139	
Tangible assets	50,245		49,689		50,763	
Investments - own shares	<u>1,704</u>		<u>1,532</u>		<u>1,495</u>	
		58,402		57,035		57,397
Current assets						
Stocks	1,934		2,180		2,415	
Debtors	21,713		18,764		18,939	
Cash at bank and in hand	<u>1,207</u>		<u>3,330</u>		<u>1,813</u>	
	24,854		24,274		23,167	
Creditors: amounts falling due within one year	<u>(26,463)</u>		<u>(18,619)</u>		<u>(19,268)</u>	
Net current (liabilities) / assets		<u>(1,609)</u>		<u>5,655</u>		<u>3,899</u>
Total assets less current liabilities		56,793		62,690		61,296
Creditors: amounts falling due after more than one year		(403)		(8,365)		(8,508)
Provisions for liabilities and charges		(4,325)		(4,377)		(4,150)
Net assets		<u>52,065</u>		<u>49,948</u>		<u>48,638</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	832		832		1,230	
Profit and loss account	<u>32,705</u>		<u>30,588</u>		<u>28,880</u>	
Equity shareholders' funds	52,038		49,921		48,611	
Equity minority interests	<u>27</u>		<u>27</u>		<u>27</u>	
	52,065		49,948		48,638	

consolidated cash flow statement

	Note	Six months to 30 Sep 2003 (unaudited)	Six months to 30 Sep 2002 (unaudited)	Year to 31 Mar 2003
		£000	£000	£000
Net cash inflow from operating activities	7	7,622	7,932	16,644
Net cash outflow from returns on investments and servicing of finance		(203)	(352)	(616)
Tax paid		(819)	(695)	(2,035)
Net cash outflow from capital expenditure and financial investment		(4,675)	(4,379)	(6,313)
Net cash outflow from acquisitions and disposals		(3,087)	(158)	(1,460)
Equity dividends paid		-	-	(1,875)
Cash (outflow) / inflow before management of liquid resources and financing		(1,162)	2,348	4,345
Net outflow from financing		(961)	(1,585)	(2,065)
(Decrease) / increase in cash in the period		<u>(2,123)</u>	<u>763</u>	<u>2,280</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 2003.

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

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. Trading performance of acquisitions

The trading performance of acquisitions in the period is not material in Group terms and therefore has not been disclosed separately.

4. Reconciliation of movements in consolidated shareholders' funds for the six months ended 30 September 2003

	Six months to 30 Sep 2003 (unaudited)	Year to 31 Mar 2003	Six months to 30 Sept 2002 (unaudited)
	£000	£000	£000
Profit for the period	2,815	5,387	2,767
Dividends	<u>(698)</u>	<u>(1,964)</u>	<u>(654)</u>
Net increase in shareholders' funds	2,117	3,423	2,113
Opening shareholders' funds	49,921	46,498	46,498
Closing shareholders' funds	<u>52,038</u>	<u>49,921</u>	<u>48,611</u>

- The Directors are declaring an interim dividend of 1.60 pence (2002: 1.50 pence) per share payable on 9 January 2004 to shareholders on the register on 12 December 2003. 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.
- Earnings per share have been calculated on 43,525,026 shares (2002: 43,625,536) being the weighted average number of shares in issue during the year. Diluted earnings per share have been calculated on 44,439,546 shares (2002: 44,548,251).

notes

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

	Six months to 30 Sep 2003 (unaudited)	Six months to 30 Sep 2002 (unaudited)	Year to 31 Mar 2003
	£000	£000	£000
Operating profit	4,289	4,366	8,087
Depreciation	5,395	5,049	10,282
Amortisation of goodwill	174	156	318
Profit on sale of tangible fixed assets	(482)	(665)	(1,738)
Decrease / (increase) in stocks	258	(117)	133
Increase in debtors	(1,810)	(2,147)	(1,473)
(Decrease) / increase in creditors	(202)	1,290	1,035
Net cash inflow from operating activities	<u>7,622</u>	<u>7,932</u>	<u>16,644</u>

8. Analysis of net debt (unaudited)

	As at 1 April 2003	Cash Flow	Acquisitions	As at 30 Sept 2003
	£000	£000	£000	£000
Cash at bank and in hand	3,330	(2,123)	-	1,207
Medium term loan	(8,254)	70	-	(8,184)
Loan notes	(835)	560	-	(275)
Finance leases and hire purchase	(388)	331	(359)	(416)
	<u>(6,147)</u>	<u>(1,162)</u>	<u>(359)</u>	<u>(7,668)</u>

9. Comparative figures

The comparative figures for the financial year ended 31 March 2003 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 2003.

KPMG Audit Plc
Chartered Accountants
Leeds
1 December 2003

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