



interim**report**2002

chairman's statement

The performance of the Group in the six months to 30 September 2002 has been very encouraging. Turnover rose 16% to £37.1m (2001 : £31.9m) and operating profit before goodwill amortisation improved 35% to £4.5m (2001 : £3.4m). Profit before taxation increased to £4.0m (2001 : £2.9m) and earnings per share rose 34% to 6.34p (2001 : 4.72p).

Cash inflow from operating activities was £7.9m (2001 : £7.3m). Net debt at 30 September 2002 was £8.2m (31 March 2002 : £10.6m). This represents gearing of 17% on shareholders' funds of £48.6m.

The results for the first six months indicate that we have made satisfactory progress towards our goals of improved return on capital employed, earnings growth and market share gain.

The markets within which we operate have been challenging in the period and this makes the achievement of the result all the more impressive and a credit to the employees of the Group businesses.

In recognition of the progress made by the Group, your Directors are pleased to recommend payment of an increased interim dividend of 1.5p (2001 : 1.4p) per share payable on 6 January 2003 to shareholders registered as at 6 December 2002.

OUTLOOK

The performance of the Group in the period has been very encouraging and positions us well for further development.

Financially, the business remains in sound health with strong cash flow and low gearing. We have both the financial and management resources to embrace opportunities as they arise where the key criteria of price, compatibility with our core businesses and potential for growth are satisfied.

Whilst the broader economic environment contains uncertainties and remains challenging, the Group is well positioned to make further progress.

SERVICES

- Turnover £14.6m (2001 : £12.1m)
- Operating profit £2.0m (2001 : £1.3m)
- Investment in rental fleet £2.0m (2001 : £2.8m)

UK Forks

UK Forks experienced a satisfactory six months trading in line with management expectations. The division achieved further successes within its targeted customer base, particularly in the residential construction sector.

The securing of longer term commitments has been key to progress within UK Forks, as has our proactive approach to the introduction of new models and functionality in response to our customers increased awareness of site health and safety issues.

Groundforce

After a quiet start to the financial year, Groundforce activity improved in the second quarter, performing in line with the business budgets and ahead of prior year. The release of a number of delayed AMP3 water related projects has strengthened demand for our more specialist equipment. Several new product lines have been introduced in the first half including a 250T hydraulic strut which has already featured on three large prestigious excavations.

Overall performance at Groundforce has been assisted by the successful development of the complementary Piletec business which offers the rental and sale of piling hammers and pile breakers.

chairman's statement

Airpac

The Offshore business performed well with activity in our core North Sea market strong. A number of large contracts have been successfully completed in South East Asia. The newly established base in Singapore is improving the mobilisation efficiency of the fleet and provides facilities on which we can expand our presence in this market.

Onshore, the markets have remained difficult and we have reduced excess fleet capacity as and when opportunities have presented themselves.

Safeorce

The Safeorce business continues to develop well in safety equipment hire, sales and asset management. The introduction of new products has helped us to grow our customer base and increase average transaction values.

In October, post the end of the period under review, this business made two acquisitions. The material acquisition was the purchase, for a cash consideration of £1.28m, of the entire issued share capital of Stopper Specialists Limited, the market leading provider of pipe stopper hire and sales to the groundwork and construction market. Stoppers are a product line, complementary to both the Groundforce and Safeorce customer base, that has been offered by Safeorce for many years and this acquisition represents a significant expansion of that activity. We also made a small acquisition of the assets and live contracts of a laser and survey equipment hire business.

HIRE STATION

- Turnover £17.2m (2001 : £16.2m)
- Operating profit £1.1m (2001 : £1.4m)
- Investment in rental fleet £2.9m (2001 : £2.9m)

The new management team at Hire Station has been very active during the period, launching a number of initiatives designed to improve sales volume and margin. These include a comprehensive staff training programme to strengthen our core skills to enable us to deliver a sharper service offering. Other changes include the reorganisation of the business into three geographical regions from four which has permitted the elimination of a regional head office. The full benefit of these initiatives will not be felt in full until next fiscal.

Whilst profits in the period are down compared with the same period last year, this is due in part to the abnormally poor trading month in June as the country focused on the World Cup and Jubilee celebrations, together with the costs of regional restructuring. Additionally, the development of greenfield openings in Glasgow and Edinburgh, whilst significantly improving the Hire Station offering in Scotland, has imposed the drag effect of start up costs on the profit in the period.

Hire Station One Call, the central hire desk reservation system for tool hire, has successfully launched a "fast-track" warehouse facility in East London, serving the demanding but busy London market. Plans are in place to extend this offering in the second half of the year.

The acquisition of Plymouth Hire Centre in June improved our geographic coverage in the South West and a further three Lifting Point locations were opened in the period.

Hire Station will shortly be launching, on a national basis, a safety equipment rental and sales service through selected outlets within the existing tool hire branch network. Branded as Safeorce, this will add a retail dimension to our existing Safeorce offering.

The market in general for tool hire remains relatively flat but we believe there is considerable scope for further improvement in Hire Station's performance. We remain confident that the tool hire market will be a rewarding one for the Group.

TORRENT TRACKSIDE

- Turnover £5.3m (2001 : £3.6m)
- Operating profit £1.4m (2001 : £0.7m)
- Investment in rental fleet £1.2m (2001 : £0.6m)

Torrent continues to perform extremely well, building further on its leading position as a provider of non-operator plant and lighting services to the rail infrastructure and maintenance market.

Further progress has been secured in the first half as Torrent has continued to capture market share and has enjoyed an unusually strong summer trading period. The extended offering of asset management contracts and training to the rail maintenance sector has also given Torrent further impetus. Prospects for this market remain good.

J.F.G. Pilkington
Chairman & Chief Executive
21 November 2002

consolidated profit and loss account

	Notes	Six months to 30 Sep 2002 (unaudited)	Six months to 30 Sep 2001 (unaudited)	Year to 31 Mar 2002
		£000	£000	£000
Turnover		<u>37,098</u>	<u>31,863</u>	<u>66,847</u>
Trading profit		9,571	8,272	17,585
Depreciation		(5,049)	(4,918)	(10,406)
Operating profit before goodwill amortisation		<u>4,522</u>	<u>3,354</u>	<u>7,179</u>
Amortisation of goodwill		(156)	(129)	(280)
Operating profit		<u>4,366</u>	<u>3,225</u>	<u>6,899</u>
Net interest payable		(356)	(369)	(727)
Profit on ordinary activities before taxation		<u>4,010</u>	<u>2,856</u>	<u>6,172</u>
Taxation		(1,243)	(771)	(1,664)
Profit on ordinary activities after taxation		<u>2,767</u>	<u>2,085</u>	<u>4,508</u>
Dividends				
- Interim	5	(654)	(615)	(615)
- Final		-	-	(1,222)
Retained profit for the period		<u>2,113</u>	<u>1,470</u>	<u>2,671</u>
Earnings per 5p ordinary share	6	6.34p	4.72p	10.23p
Diluted earnings per 5p ordinary share	6	6.21p	4.70p	10.12p
Earnings per 5p ordinary share before goodwill amortisation	6	6.70p	5.02p	10.87p
Dividend per 5p ordinary share	5	1.50p	1.40p	4.20p

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

consolidated balance sheet

	30 Sep 2002 (unaudited)		31 Mar 2002		30 Sep 2001 (unaudited)	
	£000	£000	£000	£000	£000	£000
Fixed assets						
Intangible assets - goodwill	5,139		5,388		4,808	
Tangible assets	50,763		51,024		50,961	
Investments - own shares	<u>1,495</u>		<u>1,521</u>		<u>1,121</u>	
		57,397		57,933		56,890
Current assets						
Stocks	2,415		2,293		2,233	
Debtors	18,939		16,792		16,809	
Cash at bank and in hand	<u>1,813</u>		<u>1,050</u>		<u>1,146</u>	
	23,167		20,135		20,188	
Creditors: amounts falling due within one year	<u>(19,268)</u>		<u>(18,569)</u>		<u>(21,393)</u>	
Net current assets / (liabilities)	<u>3,899</u>		<u>1,566</u>		<u>(1,205)</u>	
Total assets less current liabilities	61,296		59,499		55,685	
Creditors: amounts falling due after more than one year	(8,508)		(8,704)		(6,076)	
Provisions for liabilities and charges	(4,150)		(4,270)		(4,285)	
Net assets	<u>48,638</u>		<u>46,525</u>		<u>45,324</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	1,230		1,230		1,520	
Profit and loss account	<u>28,880</u>		<u>26,767</u>		<u>25,276</u>	
Equity shareholders' funds	48,611		46,498		45,297	
Equity minority interests	<u>27</u>		<u>27</u>		<u>27</u>	
	48,638		46,525		45,324	

consolidated cash flow statement

	Note	Six months to 30 Sep 2002 (unaudited)	Six months to 30 Sep 2001 (unaudited)	Year to 31 Mar 2002
		£000	£000	£000
Cash flow from operating activities	7	7,932	7,306	15,087
Net cash outflow from returns on investments and servicing of finance		(352)	(378)	(653)
Tax (paid) / received		(695)	194	(1,062)
Net cash outflow from capital expenditure and financial investment		(4,379)	(3,971)	(5,661)
Net cash outflow from acquisitions and disposals		(158)	(62)	(3,440)
Equity dividends paid		-	-	(1,785)
Cash inflow before management of liquid resources and financing		<u>2,348</u>	<u>3,089</u>	<u>2,486</u>
Net outflow from financing		(1,585)	(3,213)	(2,706)
Increase / (decrease) in cash in the period		<u>763</u>	<u>(124)</u>	<u>(220)</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 2002.

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 2002

	Six months to 30 Sep 2002 (unaudited)	Year to 31 Mar 2002	Six months to 30 Sept 2001 (unaudited)
	£000	£000	£000
Profit for the period	2,767	4,508	2,085
Dividends	(654)	(1,837)	(615)
	<u>2,113</u>	<u>2,671</u>	<u>1,470</u>
Goodwill write off	-	(6)	(6)
Net increase in shareholders' funds	2,113	2,665	1,464
Opening shareholders' funds	46,498	43,833	43,833
Closing shareholders' funds	48,611	46,498	45,297

- The Directors are proposing an interim dividend of 1.50 pence (2001: 1.40 pence) per share payable on 6 January 2003 to shareholders on the register on 6 December 2002. The profit and loss account charge for dividends reflects the adjustments for the interim and final dividends waived by the Vibroplant Employee Trust in relation to the shares it holds for the Group's share option schemes.
- Earnings per share have been calculated on 43,625,536 shares (2001: 44,144,981) being the weighted average number of shares in issue during the year. Diluted earnings per share have been calculated on 44,548,251 shares (2001: 44,322,639).

notes

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

	Six months to 30 Sep 2002 (unaudited)	Six months to 30 Sep 2001 (unaudited)	Year to 31 Mar 2002
	£000	£000	£000
Operating profit	4,366	3,225	6,899
Depreciation	5,049	4,918	10,406
Amortisation of goodwill	156	129	280
Profit on sale of tangible fixed assets	(665)	(752)	(2,163)
(Increase) / decrease in stocks	(117)	44	65
Increase in debtors	(2,147)	(1,906)	(1,889)
Increase in creditors	1,290	1,648	1,489
Net cash inflow from operating activities	<u>7,932</u>	<u>7,306</u>	<u>15,087</u>

8. Analysis of net debt (unaudited)

	As at 1 April 2002	Cash Flow	Acquisitions	Other Non-cash Changes	As at 30 Sept 2002
	£000	£000	£000	£000	£000
Cash at bank and in hand	1,050	763	-	-	1,813
Medium term loan	(8,387)	65	-	-	(8,322)
Loan notes	(1,944)	1,024	-	51	(869)
Finance leases and hire purchase	(1,281)	496	-	-	(785)
	<u>(10,562)</u>	<u>2,348</u>	<u>-</u>	<u>51</u>	<u>(8,163)</u>

9. Comparative figures

The comparative figures for the financial year ended 31 March 2002 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 to Vp plc

Introduction

We have been instructed 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.

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 of the Financial Services Authority 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 the 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 modification that should be made to the financial information as presented for the six months ended 30 September 2002.

KPMG Audit Plc
Chartered Accountants
Leeds
21 November 2002

Vp plc Registered Office
Central House
Beckwith Knowle
Otley Road
Harrogate
North Yorkshire HG3 1UD
Telephone: 01423-533400
www.vpplc.com