

interim**report**2001



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I am pleased to report our first set of interim results since the exit from general plant rental activities last year. Turnover in the six months ended 30 September 2001 rose to £31.9m; turnover in the prior period, excluding £3.6m of revenue generated from terminated activities was £26.1m, an underlying increase of 22%.

Operating profit before goodwill amortisation more than doubled to £3.4m (2000: £1.5m) and profit before taxation increased to £2.9m (2000: £0.9m). Earnings per share before goodwill amortisation rose to 5.02p (2000: 1.38p).

Cash inflow from operating activities was £7.3m (2000: £2.7m). Net debt at 30 September 2001 was £9.8m (31 March 2001: £12.8m). This represents gearing of 22% on shareholders' funds of £45.3m.

Your Directors are recommending payment of a maintained interim dividend of 1.4p per share payable on 7 January 2002 to shareholders registered as at 7 December 2001.

I am pleased to advise shareholders that the company has been re-classified by the FTSE under Support Services with effect from 19 November 2001, better reflecting the current composition of group activities.

SERVICES DIVISION

- Turnover £12.1m (2000: £14.4m)
- Operating profit £1.3m (2000: £125,000 loss)
- Investment in rental fleet £3.5m (2000: £9.0m)

Prior year comparatives include terminated activities.

UK Forks

UK Forks has continued the successful expansion of its specialist rough terrain materials handling business, utilising last year's significant capital investment to secure longer term customer contracts and strengthen its market share position.

The consolidation amongst the national house builders, a key customer segment for the business, is accelerating the trend towards longer term negotiated supply agreements. UK Forks, as the only national specialist hirer and with its unique central reservations system, is well positioned to capitalise on the opportunities presented by this type of work.

Groundforce

Groundforce experienced a quiet start to the year. The water industry's latest 5-year asset management plan (AMP3) was slow to translate into contracts awarded and further delays arose in rural areas as a result of the foot and mouth epidemic. However, I am pleased to say that more recent trading has shown signs of improved activity levels and we remain confident of the prospects for this business for the year as a whole.

As previously announced, in October we acquired the assets and goodwill of the shoring business of Mechplant Ltd, a part of the Shepherd Building Group, for a consideration of £3.1m. This activity has now been integrated within Groundforce and the combined business, trading as Groundforce Mechplant, has got off to a good start. This acquisition achieves our strategic objective of market leadership in this specialist field and will make a positive contribution in the current financial year.

Airpac

A slow start in the offshore oil and gas sector combined with continuing competition in our traditional onshore markets resulted in a weak first half for Airpac.

More recently, we have secured significant domestic and overseas contracts which will underpin the performance in the second half.

Safeforce

Last year's re-branding of our safety equipment rental business has given Safeforce a solid basis for growth in this rapidly expanding market. We are now seeing the fruits of the prior year's investment and look forward to a strong performance for the year as a whole.

Safeforce has recently launched UK Training, a national safety training business which we believe will provide valuable additional revenue opportunities in the future.

HIRE STATION

- Turnover £16.2m (2000: £12.7m)
- Operating Profit £1.4m (2000: £1.2m)
- Investment in rental fleet £2.9m (2000: £3.8m)

Since the beginning of the year, our tool hire activities have been operating under the single national identity of Hire Station. Building on the pre-existing strong regional identities of our tool hire network, Hire Station has been well received by customers and staff alike, as it develops a national infrastructure.

Hire Station One Call, our premium service national hire desk, has continued to grow strongly, winning customers over to its simplified ordering procedure and value added services.

Seven new branches have been added during the period, including the further expansion of our specialist Lifting Point service. In August we acquired the assets of a single branch tool hire business in Cardiff, giving us our first outlet in Wales.

TORRENT TRACKSIDE

- Turnover £3.6m (2000: £2.6m)
- Operating Profit £0.7m (2000: £0.4m)
- Investment in rental fleet £0.6m (2000: £0.4m)

Investment over the last two years in quality systems, training and expansion of the rental fleet offering have provided a platform from which Torrent has produced a very strong performance in the first half of the year.

Despite the recent uncertainty over the future structure and ownership within the rail industry, we believe Torrent is very well placed to capitalise on the significant workload associated with regeneration of the rail network infrastructure over the coming years.

OUTLOOK

I believe that the actions we took last year, to exit from the low margin general plant hire sector, have been justified as we begin to enjoy improved returns within the Group.

Notwithstanding the background uncertainties about the state of consumer confidence and the more specific uncertainties posed by the winter trading period, your board believe the Group is well placed and look forward to a satisfactory result for the year as a whole.

J.F.G. Pilkington
Chairman & Chief Executive
27 November 2001

— CONSOLIDATED PROFIT AND LOSS ACCOUNT —

	Notes	Six months to 30 Sept 2001 (unaudited)	Six months to 30 Sept 2000 (unaudited) Restated £000	Year to 31 March 2001 Restated £000
		£000	£000	£000
Turnover		<u>31,863</u>	<u>29,685</u>	<u>59,822</u>
Trading profit		8,272	6,564	13,996
Depreciation		(4,918)	(5,036)	(9,691)
Operating profit before goodwill amortisation		<u>3,354</u>	1,528	4,305
Amortisation of goodwill		(129)	(100)	(229)
Operating profit		<u>3,225</u>	1,428	4,076
(Loss) / profit on termination of businesses		-	(15)	30
Profit on ordinary activities before interest		<u>3,225</u>	1,413	4,106
Net interest payable		(369)	(506)	(1,047)
Profit on ordinary activities before taxation		<u>2,856</u>	907	3,059
Taxation		(771)	(394)	(827)
Profit on ordinary activities after taxation		<u>2,085</u>	513	2,232
Dividends				
- Interim	5	(615)	(618)	(618)
- Final		-	-	(1,150)
Retained profit / (loss) for the period		<u>1,470</u>	<u>(105)</u>	<u>464</u>
Earnings per 5p ordinary share	6	4.72p	1.15p	5.03p
Diluted earnings per 5p ordinary share	6	4.70p	1.15p	5.03p
Earnings per 5p ordinary share before goodwill amortisation	6	5.02p	1.38p	5.55p
Dividend per 5p ordinary share	5	1.40p	1.40p	4.05p

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

Comparative figures have been restated to reflect the adoption of FRS 19 on deferred tax.

————— CONSOLIDATED BALANCE SHEET —————

	30 Sept 2001 (unaudited)		31 March 2001 Restated		30 Sept 2000 (unaudited) Restated	
	£000	£000	£000	£000	£000	£000
Fixed assets						
Intangible assets - goodwill	4,808		4,889		4,675	
Tangible assets	50,961		51,183		53,420	
Investments - own shares	<u>1,121</u>		<u>1,130</u>		<u>1,168</u>	
		56,890		57,202		59,263
 Current assets						
Stocks	2,233		2,277		2,169	
Debtors	16,809		15,191		17,667	
Cash at bank and in hand	<u>1,146</u>		<u>1,270</u>		<u>76</u>	
	<u>20,188</u>		<u>18,738</u>		<u>19,912</u>	
 Creditors: amounts falling due within one year	 <u>(21,393)</u>		 <u>(25,337)</u>		 <u>(25,237)</u>	
 Net current liabilities	 <u>(1,205)</u>		 <u>(6,599)</u>		 <u>(5,325)</u>	
 Total assets less current liabilities	 55,685		 50,603		 53,938	
 Creditors: amounts falling due after more than one year	 (6,076)		 (2,344)		 (6,589)	
 Provisions for liabilities and charges	 (4,285)		 (4,399)		 (4,358)	
 Net assets	 <u>45,324</u>		 <u>43,860</u>		 <u>42,991</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	1,520		1,520		1,646	
Profit and loss account	<u>25,276</u>		<u>23,812</u>		<u>22,817</u>	
Equity shareholders' funds	<u>45,297</u>		<u>43,833</u>		<u>42,964</u>	
Equity minority interests	<u>27</u>		<u>27</u>		<u>27</u>	
	<u>45,324</u>		<u>43,860</u>		<u>42,991</u>	

————— CONSOLIDATED CASH FLOW STATEMENT —————

	Note	Six months to 30 Sept 2001 (unaudited) £000	Six months to 30 Sept 2000 (unaudited) £000	Year to 31 March 2001 £000
Cash flow from operating activities	7	7,306	2,717	10,856
Net cash outflow from returns on investments and servicing of finance		(378)	(506)	(992)
Tax received / (paid)		194	(212)	(784)
Net cash (outflow) / inflow from capital expenditure and financial investment		(3,971)	6	(718)
Net cash outflow from acquisitions and disposals		(62)	(628)	(1,211)
Equity dividends paid		-	-	(1,788)
Cash inflow before management of liquid resources and financing		3,089	1,377	5,363
Net outflow from financing		(3,213)	(2,208)	(4,286)
(Decrease) / increase in cash in the period		<u>(124)</u>	<u>(831)</u>	<u>1,077</u>

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 2001, with the exception that the Group has amended its policies to take account of Financial Reporting Standard 19. In accordance with FRS 19 deferred tax is now provided on the basis of the full potential liability, no discounting has been applied. A prior year adjustment has been made to restate the comparative profit and loss and balance sheet figures to reflect this change in policy.

A tax rate of 27% has been used in the profit and loss account to reflect the estimated tax charge for the full year after taking into account estimated over provisions for prior years.

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 2001

	Six months to 30 Sept 2001 (unaudited)	Year to 31 March 2001 Restated £000	Six months to 30 Sept 2000 (unaudited) Restated £000
Profit for the period	2,085	2,232	513
Dividends	<u>(615)</u>	<u>(1,768)</u>	<u>(618)</u>
	1,470	464	(105)
Goodwill (write off) / write back	<u>(6)</u>	300	-
Net increase / (decrease) in shareholders' funds	1,464	764	(105)
Opening shareholders' funds	43,833	46,489	46,489
Prior year adjustment	-	(3,420)	(3,420)
Closing shareholders' funds	<u>45,297</u>	<u>43,833</u>	<u>42,964</u>

5. The Directors are proposing an interim dividend of 1.40 pence (2000: 1.40 pence) per share payable on 7 January 2002 to shareholders on the register on 7 December 2001. The profit and loss account charge for dividends reflects the adjustments for the interim and final dividends waived by Vibroplant Employee Trust in relation to the shares it holds for the Group's share option schemes.
6. Earnings per share have been calculated on 44,144,981 shares (2000: 44,528,919) being the weighted average number of shares in issue during the period. Diluted earnings per share have been calculated on 44,322,639 shares (2000: 44,554,871).

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

	Six months to 30 Sept 2001 (unaudited) £000	Six months to 30 Sept 2000 (unaudited) £000	Year to 31 March 2001 £000
Operating profit	3,225	1,428	4,076
Exceptional business termination costs	-	(553)	(939)
Depreciation	4,918	5,036	9,691
Amortisation of goodwill	129	100	229
Profit on sale of tangible fixed assets	(752)	(945)	(1,785)
Decrease / (increase) in stocks	44	29	(71)
(Increase) / decrease in debtors	(1,906)	(802)	1,827
Increase / (decrease) in creditors	1,648	(1,576)	(2,172)
Net cash inflow from operating activities	<u>7,306</u>	<u>2,717</u>	<u>10,856</u>

8. Analysis of net debt (unaudited)

	As at 1 April 2001 £000	Cash Flow £000	Acquisitions £000	Other Non-cash Changes £000	As at 30 Sept 2001 £000
Cash at bank and in hand	1,270	(124)	-	-	1,146
Medium term loan	(6,513)	1,060	-	-	(5,453)
Loan notes	(3,113)	25	-	46	(3,042)
Finance leases and hire purchase	(4,476)	2,128	-	(140)	(2,488)
	<u>(12,832)</u>	<u>3,089</u>	<u>-</u>	<u>(94)</u>	<u>(9,837)</u>

OTHER INFORMATION

Comparative figures

The comparative figures for the financial year ended 31 March 2001 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 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 2001.

KPMG Audit Plc
Chartered Accountants
Leeds
27 November 2001

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