



Press Release

7 December 2020

Vp plc
(‘Vp’ or the ‘Group’)

Interim Results

‘Resilient trading performance despite unique challenges, debt reduced significantly’

Vp plc, the equipment rental specialist, today announces its Interim Results for the six months ended 30 September 2020 (the ‘period’).

Highlights

- Profit before tax, amortisation and exceptional items at £8.6 million (H1 2020: £25.9 million)¹
- Revenues reduced by 24% to £142.1 million (H1 2020: £186.6 million)
- EPS, pre amortisation and exceptional items, 17.4 pence per share (H1 2020: 52.5 pence per share)¹
- Special dividend proposed of 22.00 pence per share
- Interim dividend Nil (H1: 2020 8.45 pence)
- Net debt reduced by £41.1 million to £118.7 million (31 March 2020: £159.8 million)¹.
- Return on average capital employed at 10.3% (H1 2020: 14.5%)¹
- EBITDA decreased to £34.1 million (H1 2020: £51.8 million)¹
- Capital investment in rental fleet down 45% at £14.6 million (H1 2020: £26.6 million)
- Exceptional costs £13.0m (H1 2020: £0.7m)
- Statutory loss before tax of £6.0 million (H1 2020: profit of £23.4 million)¹ and statutory earnings per share of -17.8 pence (H1 2020: 47.3 pence)

Jeremy Pilkington, Chairman of Vp plc, commented: “The resilience and diversity of the Vp offering has once again proved to be an invaluable asset as the Group and its customers recover from the economic impact of Covid-19. Vp’s businesses are gradually recovering towards prior year trading levels, buoyed by the positive medium-term outlook for infrastructure investment in the UK. The Group remains in excellent financial condition and is well positioned to take advantage of the uplift in demand and return the business to its historic levels of profitability. The Board is optimistic but also realistic about prospects for the second half and beyond.

“On behalf of the Board I would like to extend a thank you to all our employees, both within the UK and internationally, for their spirit, hard work and determination in the face of unique challenges and uncertainties.”

Analyst Briefing:

A conference call for analysts will be held at 09.30am today, 7 December 2020. For dial in details please contact Vp@buchanan.uk.com. A copy of the Half Year Results presentation will be made available this morning at the Group’s website: <http://www.vpplc.com>.

For further information:

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¹ **Notes on alternative performance measures:**

- The Group adopted the accounting standard IFRS 16 *Leases* with effect from 1 April 2019 using the modified retrospective approach to transition. The results for the six months ended 30 September 2020 and 30 September 2019 are not directly comparable with those reported in the past under the previous applicable accounting standard, IAS 17 *Leases*. To provide meaningful comparatives, within note 5(a) the results for the six months ended 30 September 2020 and 30 September 2019 have therefore also been calculated using the previous accounting methodology of IAS 17. Further, as the decision makers currently allocate resource and assess performance primarily on an IAS 17 basis, the alternative performance measures are also disclosed based on IAS 17. See Note 5(a) for a reconciliation of the IAS 17 alternative performance measures to the equivalent IFRS 16 measures. All performance measures stated as before amortisation are also before impairment of intangibles and exceptional items.
- Basic earnings per share pre amortisation and exceptional items is reconciled to basic earnings per share in note 8.
- Profit before tax, amortisation and exceptional items is reconciled to profit before tax in the Consolidated Income Statement.
- Return on average capital employed is based on profit before tax, interest, amortisation and exceptional items divided by average capital employed on a monthly basis using the management accounts. Profit before tax, interest, amortisation and exceptional items is reconciled to profit before interest and tax in the Consolidated Income Statement.

The information contained in this announcement is deemed by the Company to constitute inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

CHAIRMAN'S STATEMENT

The Group has had to confront unique challenges in the first half of this financial year.

As the Covid virus struck, it was impossible to know how severe or prolonged the ensuing pandemic might be and what would be the consequences of the associated lockdown.

In April 2020, as many of our markets closed completely or only operated on severely reduced levels of activity, Group monthly revenues dropped by almost 50% compared with the prior year. On a more positive note, many of our businesses were categorised as essential service providers to such sectors as transport, utilities, telecommunications and health and here we were able to maintain a certain level of business functionality.

Our priority throughout this pandemic has been to protect the health of our employees, our customers and other stakeholders.

In response to these sharp reductions in activity the Group ceased all but essential capital investment and recruitment. The Group participated in the UK Government's job retention furlough scheme and whilst this was successful in retaining many jobs in the early part of the financial year we have subsequently had to reduce capacity to better match ongoing demand. Regrettably, this has resulted in approximately 150 redundancies across the Group and the merger or closure of 23 locations in the UK. Since October 2020, we have had no employees on furlough. The Group continues to operate a young, well managed fleet and our rental assets remain of the highest quality and well matched to supporting customers with our long term focus on service and product excellence.

For the six month period to 30 September 2020, profit before tax, amortisation and exceptional items was £8.6 million (H1 2020: £25.9 million) on revenues 24% lower at £142.1 million (H1 2020: £186.6 million). During the period, the Group incurred exceptional items of £13.0 million (H1 2020: £0.7 million). Statutory loss before taxation was £6.0 million (H1 2020: profit of £23.4 million). Earnings per share pre-amortisation and exceptional items was 17.4 pence per share (H1 2020: 52.5 pence per share). Return on average capital employed ('ROACE') reduced to 10.3% (H1 2020: 14.5%).

The quality of our earnings, coupled with a strong focus on cash management, has enabled us to reduce debt by £41.1 million to £118.7 million (31 March 2020: £159.8 million), an outstanding achievement.

At the time of our preliminary announcement on 10 June 2020, the Board indicated that it would defer the decision on the final dividend until we had a better understanding of how the pandemic would develop. Despite the collapse in Group revenues in early Q1-2020, we have subsequently experienced a recovery, traded profitably in the first half of the year as a whole and now have better visibility through to the end of the financial year. Reflecting our record profits for the year ended 31 March 2020 and a much improved cash position, the Board now feels it is appropriate to pay a special dividend in lieu of the final dividend for the year ended 31 March 2020 of 22.0 pence per share to be paid on 17 January 2021 to shareholders registered as at 18 December 2020.

There is no interim dividend for the current financial year but the Board will take a view for the year as a whole at the time of our preliminary announcement in June 2021. The Board appreciates the importance of income to our shareholders and intends to maintain its longstanding progressive dividend policy.

The Group operates primarily in the UK, but also with substantial activities in the Asia Pacific region and in mainland Europe. The individual business teams have had to cope with differing and ever changing rules of engagement and lockdown restrictions, a pattern that continues to the present time.

The fact that the business has reported an underlying profit for the first half of the financial year is testament to the outstanding performance of employees right across the Group operating under the most difficult circumstances.

As previously reported the Competition and Markets Authority announced on 9 April 2019 that it was investigating three businesses within the temporary groundworks sector of suspected anti-competitive behaviour and which included a part of the Group's excavation support systems business ('Groundforce Shorco'). The turnover of the business concerned represented c. 9% of the Vp plc group turnover for the year ended 31 March 2020.

Previous accounts included a provision of £4.5 million in respect of this matter. During the period, as a result of information recently received from the CMA we have made an additional provision of £10.87 million, resulting in a total provision of £15.37 million. The process is still ongoing, no decision has been reached and this figure represents the Directors' best estimate based on the limited information available and without any admission of culpability. The Directors also consider any further increase in the provision being required to be highly unlikely. The CMA's findings remain provisional and we continue to co-operate fully with their investigation and we await their determination in due course.

UK Division

Trading in the UK division has continued to improve as the half year progressed and by the end of October monthly revenues had been restored to 89% of prior year levels in the UK business.

The recovery has been most pronounced in our MEP, Torrent and TPA (UK and Europe) divisions. ESS Safeforce (survey and safety rental) has also enjoyed a good recovery.

The Brandon Hire Station business, more dependent on the general construction market, has been slower to rebound but has seen a sustained revenue improvement as the branch network fully re-opened from August onwards. Brandon Hire Station, which merged or closed 23 branches in the period, remains the largest stand alone tool hire business in the UK, operating from 162 branches nationwide.

Groundforce, has seen a slower recovery in civil engineering activity however, at the time of writing, we are starting to see a renewed uplift in demand. This will be further enhanced as the new AMP7 five year infrastructure investment programme is progressively released during 2021. The housebuilding sector largely closed in April but then experienced a sharp recovery as sites re-opened from May. UK Forks continues to support this vital national and growing market.

International Division

The International division, comprising Airpac Bukom and TR Group, experienced their own challenges. Whilst the oil and gas sector remained open, Airpac Bukom encountered restrictions in specific regions which led to contracts being delayed, postponed or cancelled. TR Group, which operates primarily in Australia and New Zealand, continued to trade throughout but was inevitably impacted by the severe restrictions in these jurisdictions. Looking forward, as restrictions have been eased, we expect to see a recovery heading into 2021.

Outlook

We enter the second half of our financial year with cautious optimism. Our businesses are gradually recovering towards prior year trading levels, buoyed by the positive medium term outlook for infrastructure investment in water (AMP7), Rail (CP6 and HS2), transmission and utilities.

The Group is fortunate to have one of the longest serving and most experienced management teams in the rental sector and this experience has helped us to navigate this crisis and, as importantly, has put us in a very strong position to capitalise on the recovery phase that will follow.

Although at the height of the pandemic we were obliged to reduce the service capacity of many of our businesses, an early and brave decision was made by local managers to maintain customer facing staff. This robust approach has generated significant goodwill with our customers, many of whom have said that they felt abandoned at times by their other service providers. I am sure that this has strengthened our customer relationships and will give us trading advantage as they return to fuller levels of activity.

We are optimistic but also realistic about prospects for the second half and beyond. The Group remains in excellent financial condition and we are well positioned to take advantage of both organic and acquisition opportunities as they arise as we return the business to its historical levels of profitability.

Twenty years ago we re-structured the Group to offer a first class, specialist equipment rental service across a range of end markets which exhibited different cyclical behaviours. The resilience and diversity of our offer has once again proved to be an invaluable asset as we and our customers recover from the economic impact of Covid-19.

As we hopefully put this extremely difficult period behind us, it is incumbent on me on behalf of the Board to extend a heartfelt thank you to all our employees, both within the UK and internationally, for their spirit, hard work and determination in the face of unique challenges and uncertainties.

Jeremy Pilkington

Chairman

7 December 2020

**Condensed Consolidated Income Statement
For the period ended 30 September 2020**

	Note	Six months to 30 Sept 2020* (unaudited) £000	Six months to 30 Sept 2019 (unaudited) £000	Full year to 31 Mar 2020 (audited) £000
Revenue	3	142,089	186,585	362,927
Cost of sales		(117,423)	(142,328)	(292,746)
Gross profit		24,666	44,257	70,181
Administrative expenses		(26,683)	(16,504)	(32,975)
Operating profit before amortisation and exceptional items	5	12,417	30,250	55,480
Amortisation and impairment		(1,650)	(1,833)	(16,756)
Exceptional items	4	(12,784)	(664)	(1,518)
Operating (loss)/profit	3	(2,017)	27,753	37,206
Net financial expense	5	(4,140)	(4,478)	(8,840)
Profit before taxation, amortisation and exceptional items	5	8,477	25,772	46,640
Amortisation and impairment		(1,650)	(1,833)	(16,756)
Exceptional items	4	(12,984)	(664)	(1,518)
(Loss)/Profit before taxation	5	(6,157)	23,275	28,366
Taxation	6	(1,115)	(4,735)	(9,779)
(Loss)/Profit attributable to owners of the parent		(7,272)	18,540	18,587
		Pence	Pence	Pence
Basic earnings per share	8	(18.31)	46.84	46.92
Diluted earnings per share	8	(18.31)	45.70	46.17
Special Dividend per share	9	22.00	-	-
Dividend per share	9	-	8.45	8.45

*IFRS 16 was adopted on 1 April 2019 for statutory reporting. As a result, the primary statements are shown on IFRS 16 basis. Note 5(a) provides the impact on the consolidated income statement for the periods ended 30 September 2020, including the £1.6 million positive impact on operating profit before amortisation and exceptional items (£10.8 million pre-IFRS 16), £1.7 million adverse impact on net financial expense (£2.2 million pre-IFRS 16) and £0.1 million adverse impact on profit before taxation, amortisation and exceptional items (£8.6 million pre-IFRS 16).

**Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 September 2020**

	Six months to 30 Sept 2020 (unaudited) £000	Six months to 30 Sept 2019 (unaudited) £000	Full year to 31 Mar 2020 (audited) £000
(Loss)/Profit for the period	(7,272)	18,540	18,587
Other comprehensive income/(expense):			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gains on defined benefit pension scheme	-	-	368
Tax on items taken to other comprehensive income	-	-	86
Impact of tax change	-	-	47
<i>Items that may be subsequently reclassified to profit or loss</i>			
Foreign exchange translation difference	2,509	644	(1,045)
Effective portion of changes in fair value of cash flow hedges	212	(357)	(482)
Other comprehensive income/(expense)	2,721	287	(1,026)
Total comprehensive (expense)/income for the period	(4,551)	18,827	17,561

**Condensed Consolidated Statement of Changes in Equity
For the period ended 30 September 2020**

	Note	Six months to 30 Sept 2020 (unaudited) £000	Six months to 30 Sept 2019 (unaudited) £000	Full year to 31 Mar 2020 (audited) £000
Total comprehensive (expense)/ income for the period		(4,551)	18,827	17,561
Tax movements to equity		62	(309)	(648)
Impact of tax rate change		-	-	(33)
Share option charge in the period		543	1,151	758
Net movement relating to shares held by Vp Employee Trust		(1,516)	(1,998)	(2,396)
Dividends to shareholders	9	-	(8,705)	(12,055)
Change in equity during the period		(5,462)	8,966	3,187
Equity at the start of the period		169,921	168,885	168,885
Effect of changes in accounting standards		-	(2,151)	(2,151)
Equity at the end of the period		164,459	175,700	169,921

There were no movements in issued share capital, the capital redemption reserve or share premium in the reported periods.

**Condensed Consolidated Balance Sheet
At 30 September 2020**

	Note	30 Sept 2020 (unaudited) £000	31 Mar 2020 (audited) £000	30 Sept 2019 (unaudited) £000
Non-current assets				
Property, plant and equipment	7	237,472	247,761	252,319
Goodwill		50,906	50,636	63,975
Intangible assets		22,209	23,631	25,361
Right of use assets		60,071	68,566	74,857
Employee benefits		2,986	3,018	2,674
Total non-current assets		373,644	393,612	419,186
Current assets				
Inventories		7,780	9,073	7,825
Trade and other receivables		66,331	84,263	87,977
Cash and cash equivalents	10	35,728	20,094	14,907
Income tax receivable		752	1,003	245
Total current assets		110,591	114,433	110,954
Total assets		484,235	508,045	530,140
Current liabilities				
Interest bearing loans and borrowings	10	(17,664)	(6,161)	(4,310)
Lease liabilities		(16,490)	(17,692)	(18,911)
Trade and other payables		(91,033)	(75,186)	(69,543)
Total current liabilities		(125,187)	(99,039)	(92,764)
Non-current liabilities				
Interest bearing loans and borrowings	10	(136,766)	(173,739)	(194,343)
Lease liabilities		(46,995)	(54,158)	(58,937)
Deferred tax liabilities		(10,828)	(11,188)	(8,396)
Total non-current liabilities		(194,589)	(239,085)	(261,676)
Total liabilities		(319,776)	(338,124)	(354,440)
Net assets		164,459	169,921	175,700
Equity				
Issued share capital		2,008	2,008	2,008
Capital redemption reserve		301	301	301
Share premium		16,192	16,192	16,192
Foreign currency translation reserve		684	(1,825)	(136)
Hedging reserve		(593)	(805)	(680)
Retained earnings		145,840	154,023	157,988
Total equity attributable to equity holders of parent		164,432	169,894	175,673
Non-controlling interest		27	27	27
Total equity		164,459	169,921	175,700

Condensed Consolidated Statement of Cash Flows
For the period ended 30 September 2020

	Note	Six months to 30 Sept 2020 (unaudited) £000	Six months to 30 Sept 2019 (unaudited) £000	Full year to 31 Mar 2020 (audited) £000
Cash flows from operating activities				
(Loss)/Profit before taxation		(6,157)	23,275	28,366
Adjustment for:				
Share based payment charges		543	1,151	758
Depreciation	7	23,279	23,525	46,160
Depreciation of right of use assets		11,748	11,007	22,177
Amortisation and impairment of intangibles		1,650	1,833	16,756
Net financial expense		4,140	4,478	8,840
Profit on sale of property, plant and equipment		(3,573)	(5,224)	(8,939)
Operating cash flow before changes in working capital and provisions		31,630	60,045	114,118
Decrease/(increase) in inventories		1,293	49	(1,215)
Decrease/(increase) in trade and other receivables		17,972	(7,069)	(3,890)
Increase/(decrease) in trade and other payables		18,484	(13,607)	(8,898)
Cash generated from operations		69,379	39,418	100,115
Interest paid		(2,301)	(2,319)	(4,454)
Interest element of finance lease payments		(19)	(63)	(92)
Interest received		10	28	10
Income tax paid		(1,152)	(7,204)	(10,694)
Net cash flows from operating activities		65,917	29,860	84,885
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		8,492	10,839	21,381
Purchase of property, plant and equipment		(18,652)	(29,386)	(54,686)
Acquisition of businesses and subsidiaries (net of cash and overdrafts)		-	(3,325)	(3,325)
Net cash flows used in investing activities		(10,160)	(21,872)	(36,630)
Cash flows from financing activities				
Purchase of own shares by Employee Trust		(1,516)	(1,998)	(2,396)
Repayment of loans		(37,000)	(7,000)	(94,000)
New loans		-	22,000	89,000
Payment of lease liabilities		(13,524)	(13,457)	(26,530)
Dividends paid	9	-	(8,705)	(12,055)
Net cash flows used in financing activities		(52,040)	(9,160)	(45,981)
Net (decrease)/increase in cash and cash equivalents		3,717	(1,172)	2,274
Effect of exchange rate fluctuations on cash held		259	30	(259)
Cash and cash equivalents at beginning of period		14,147	12,132	12,132
Cash and cash equivalents at end of period	10	18,123	10,990	14,147

Notes to the Condensed Financial Statements

1. Basis of Preparation

Vp plc (the "Company") is incorporated and domiciled in the United Kingdom. The Condensed Consolidated Interim Financial Statements of the Company for the half year ended 30 September 2020 consolidate the financial information of 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 IAS 34 ("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 2020, 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 7 December 2020.

The Condensed Consolidated Interim Financial Statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 March 2020 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 498 (2) or (3) of the Companies Act 2006.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

The Group continues to be in a healthy financial position with total banking facilities at the period end of £207.5 million, including an overdraft facility. Since the year end net debt has decreased by £41.1 million to £118.7 million, which is £65.0 million lower than 30 September 2019. The Board has evaluated the banking facilities and the associated covenants on the basis of current forecasts, taking into account the current economic climate, the refinancing and an appropriate level of sensitivity analysis. These forecasts have been subjected to sensitivity analysis, involving the flexing of key assumptions reflecting severe but plausible scenarios, including a downturn in economic activity and a slower than planned recovery from Covid-19. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due.

Having reassessed the principal risks the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

2. Risks and Uncertainties

The principal risks and uncertainties facing the Group and the ways in which they are mitigated are described on page 20 and 21 of the 31 March 2020 Annual Report and Accounts. The principal risks and uncertainties are market, competition, investment / product management, people, safety, financial, contractual and legal and regulatory requirements, which remain the same for this interim financial report.

3. Summarised Segmental Analysis

	Revenue			Operating Profit Before Amortisation and Exceptional Items		
	Sept 2020 £000	Sept 2019 £000	Mar 2020 £000	Sept 2020 £000	Sept 2019 £000	Mar 2020 £000
	UK	128,880	170,016	331,005	11,483	29,133
International	13,209	16,569	31,922	934	1,117	1,808
	<u>142,089</u>	<u>186,585</u>	<u>362,927</u>	<u>12,417</u>	<u>30,250</u>	<u>55,480</u>
Amortisation and impairment				(1,650)	(1,833)	(16,756)
Exceptional items				(12,784)	(664)	(1,518)
Operating (Loss)/Profit				<u>(2,017)</u>	<u>27,753</u>	<u>37,206</u>

	Assets			Liabilities		
	Sept 2020 £000	Mar 2020 £000	Sept 2019 £000	Sept 2020 £000	Mar 2020 £000	Sept 2019 £000
	UK	444,407	468,465	486,700	310,005	328,791
International	39,828	39,580	43,440	9,771	9,333	9,124
	<u>484,235</u>	<u>508,045</u>	<u>530,140</u>	<u>319,776</u>	<u>338,124</u>	<u>354,440</u>

	Net Assets		
	Sept 2020 £000	Mar 2020 £000	Sept 2019 £000
	UK	134,402	139,674
International	30,057	30,247	34,316
	<u>164,459</u>	<u>169,921</u>	<u>175,700</u>

3. Summarised Segmental Analysis (continued)

Below summarises the disaggregation of revenue from contracts with customers from the total revenue disclosed in the Condensed Consolidated Income Statement:

	Sept 2020	Sept 2019	Mar 2020
	£000	£000	£000
Equipment hire	103,650	138,323	273,524
Services	28,658	33,512	58,569
Sales of goods	9,781	14,750	30,834
Total revenue	142,089	186,585	362,927

4. Exceptional Items

During the period the Group incurred £12,984,000 of exceptional costs. These are analysed as follows:

	Sept 2020	Sept 2019	Mar 2020
	£000	£000	£000
Regulatory review costs	11,137	-	834
Restructuring costs	1,647	664	684
Exceptional Items in Operating Profit	12,784	664	1,518
Financing expense	200	-	-
Exceptional Items in Net Financial Expense	200	-	-
Total Exceptional Items	12,984	664	1,518

As previously disclosed, the Competition and Markets Authority (CMA) announced on 9 April 2019 that it was investigating three major suppliers of groundworks products to the construction industry. The CMA has provisionally found that three businesses, including a part of the Group's excavation support system business (Groundforce Shorco), were involved in suspected anti-competitive behaviour. The CMA's findings are still provisional and do not necessarily lead to a decision that the companies have breached competition law.

In the prior year accounts, as required by accounting standard IAS 37, we provided a figure of £4.5 million as an exceptional cost which has been brought forward to these accounts.

During the period, as a result of information recently received from the CMA and in accordance with IAS 37 we have included an additional provision of £10,870,000, resulting in a total provision of £15,370,000. The process is still ongoing, no decision has been made and this figure represents the Directors' best estimate based on the limited information available and without any admission of culpability. The Directors also consider any further increase in the provision being required to be highly unlikely. The Group also incurred professional fees of £267,000 relating to this matter which are classified as exceptional.

During the period the Group also incurred £1,647,000 of exceptional costs in relation to restructuring costs across the Group and financing expenses of £200,000 relating solely to Covid-19 covenant amendments, as reported in the March 2020 Annual Report and Accounts.

4. Exceptional Items (continued)

In the prior year ended 31 March 2020, the Group incurred £1,518,000 of exceptional costs in relation to regulatory review costs and continued restructuring costs regarding severance payments primarily within Hire Station Limited. Of this, £664,000 was incurred during the six month period to 30 September 2019.

Exceptional costs are excluded from the profit measures reported in the strategic report on the basis that they are non-recurring in nature.

5. Income Statement Reporting

(a) Impact on reporting of IFRS 16

IFRS 16 *Leases* was adopted from 1 April 2019. For comparative purposes with previous years, key reporting measures are also calculated using the previous accounting methodology of IAS 17.

Basic earnings per share before the amortisation of intangibles and exceptional items decreased by 0.56 pence for the period to 30 September 2020 as a result of IFRS 16, compared to the previous accounting methodology of IAS 17. The financial impact of the transition on the Group's Consolidated Income Statement and EBITDA is set out below:

	Sept 2020 Excluding IFRS 16 £000	Sept 2020 IFRS 16 Impact £000	Sept 2020 Reported £000
Operating profit before amortisation and exceptional items	10,800	1,617	12,417
Operating loss	(3,634)	1,617	(2,017)
EBITDA	34,079	13,365	47,444
Net financial expense before exceptional items	(2,193)	(1,747)	(3,940)
Profit before taxation, amortisation and exceptional items	8,607	(130)	8,477
Loss before taxation	(6,027)	(130)	(6,157)

Operating profit before amortisation and exceptional items, segment assets and segment liabilities all increased as a result of the change in accounting policy. The IFRS 16 adjustments that have been posted to each segment for the half year ending 30 September 2020 are as follows:

	Operating Profit before Amortisation and Exceptional Items		
	Pre IFRS 16 £000	IFRS 16 Adjustment £000	Per Note 3 £000
UK	9,921	1,562	11,483
International	879	55	934
	<hr/> 10,800	<hr/> 1,617	<hr/> 12,417

5. Income Statement Reporting (continued)

(a) Impact on reporting of IFRS 16 (continued)

	Assets			Liabilities		
	Pre	IFRS 16	Per	Pre	IFRS 16	Per
	IFRS 16	Adjustment	Note 3	IFRS 16	Adjustment	Note 3
	£000	£000	£000	£000	£000	£000
UK	386,462	57,945	444,407	248,805	61,200	310,005
International	37,702	2,126	39,828	7,486	2,285	9,771
	<u>424,164</u>	<u>60,071</u>	<u>484,235</u>	<u>256,291</u>	<u>63,485</u>	<u>319,776</u>

(b) Government support during Covid-19 Pandemic

During the period, the Group received government support of £8.4 million in relation to various job retention schemes. This was in a variety of countries in which the Group operates. This has been accounted for as a reduction in costs in the Income Statement.

6. Income Tax

The effective tax rate is -18.1% in the period to 30 September 2020 (H1 2020: 20.3%). The effective rate for the period reflects the current standard tax rate of 19% (H1 2020: 19%), as adjusted for estimated permanent differences for tax purposes offset by gains covered by exemptions. The effective tax rate before amortisation and exceptional items is 21.1% (H1 2020: 20.0%).

7. Property, Plant and Equipment

	Sept 2020	Mar 2020	Sept 2019
	£000	£000	£000
Opening carrying amount	247,761	248,651	248,651
Additions	16,183	56,339	30,467
Acquisitions	-	1,774	1,798
Depreciation	(23,279)	(46,160)	(23,525)
Disposals	(4,919)	(12,442)	(5,615)
Effect of movements in exchange rates	1,726	(401)	543
Closing carrying amount	<u>237,472</u>	<u>247,761</u>	<u>252,319</u>

The value of capital commitments at 30 September 2020 was £8,685,000 (31 March 2020 £8,291,000).

8. Earnings Per Share

Earnings per share have been calculated on 39,711,727 shares (H1 2020: 39,581,748 shares) being the weighted average number of shares in issue during the period. Diluted earnings per share have been calculated on 40,419,282 shares (H1 2020: 40,569,647 shares) adjusted to reflect conversion of all potentially dilutive ordinary shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share. Basic earnings per share before the amortisation of intangibles and exceptional items was 16.84 pence (H1 2020: 52.10 pence) and was based on an after tax add back of £13,959,000 (H1 2020: £2,081,000) in respect of the amortisation of intangibles and exceptional items. Diluted earnings per share before amortisation of intangibles and exceptional items was 16.54 pence (H1 2020: 50.83 pence).

9. Dividends

The Directors have declared a special dividend of 22.00 pence per share payable on 17 January 2021 to shareholders on the register at 18 December 2020. This is in lieu of the final dividend for the Financial Year ended 31 March 2020. The dividend declared will absorb an estimated £8,672,000.

The comparative dividend relating to the Financial Year ended 31 March 2019 was 22.00 pence (H1 2020: £8,705,000 was paid). The interim dividend to 30 September 2019 was 8.45 pence per share, absorbing £3,350,000 of shareholders' funds.

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 2020 £000	Cash Flow £000	As at 30 Sep 2020 £000
Cash and cash equivalents	20,094	15,634	35,728
Bank overdraft	(5,947)	(11,658)	(17,605)
Revolving credit facilities / loans	(174,000)	37,000	(137,000)
Arrangement Fees	535	(41)	494
Finance leases excluded under IFRS 16	(488)	169	(319)
	<u>(159,806)</u>	<u>41,104</u>	<u>(118,702)</u>

In January 2020, the Group refinanced £65.0 million of secured bank loans held with Lloyds Bank plc and HSBC Bank plc with a private placement with PGIM, Inc. at a value of £65.0 million maturing in January 2027 and has a £135.0 million facility which expires in December 2021, together with overdraft facilities totalling £7.5 million.

11. Related Party Transactions

Transactions between Group Companies, which are related parties, have been eliminated on consolidation and therefore do not require disclosure. The Group has not entered into any other related party transactions in the period which require disclosure in this interim statement.

12. Contingent Liabilities

In an international group a variety of claims arise from time to time in the normal course of business. Such claims may arise due to actions being taken against group companies as a result of investigations by fiscal authorities or under regulatory requirements. Provision has been made in these consolidated financial statements against any claims which the directors consider are likely to result in significant liabilities.

13. Forward Looking Statements

The Chairman's Statement includes statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Except as required by the Listing Rules and applicable law, the Company undertakes no obligation to update, review or change any forward looking statements to reflect events or developments occurring after the date of this report.

14. Alternative Performance Measures

- (i) All performance measures stated as before amortisation are also before impairment of intangibles and exceptional items.
- (ii) Basic earnings per share pre amortisation and exceptional items is reconciled to basic earnings per share in note 8.
- (iii) Profit before tax, amortisation and exceptional items is reconciled to profit before tax in the Consolidated Income Statement.
- (iv) Return on average capital employed is based on profit before tax, interest, amortisation and exceptional items divided by average capital employed on a monthly basis using the management accounts. Profit before tax, interest, amortisation and exceptional items is reconciled to profit before interest and tax in the Consolidated Income Statement.

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

We confirm that to the best of our knowledge:

- the condensed consolidated set of interim 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.

By order of the Board

7 December 2020

The Board

The Directors who served during the six months to 30 September 2020 were:

Jeremy Pilkington (Chairman)

Neil Stothard (Chief Executive)

Allison Bainbridge (Group Finance Director)

Steve Rogers (Non-Executive Director)

Phil White (Non-Executive Director)

Independent review report of Vp plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Vp plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Vp plc for the 6 month period ended 30 September 2020 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Balance Sheet as at 30 September 2020;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended
- the Condensed Consolidated Statement of Cash Flows for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results of Vp plc have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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 United Kingdom. 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, 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.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.