



# The Equipment Rental Specialist

ANNUAL REPORT AND ACCOUNTS 2019

[www.vpplc.com](http://www.vpplc.com)



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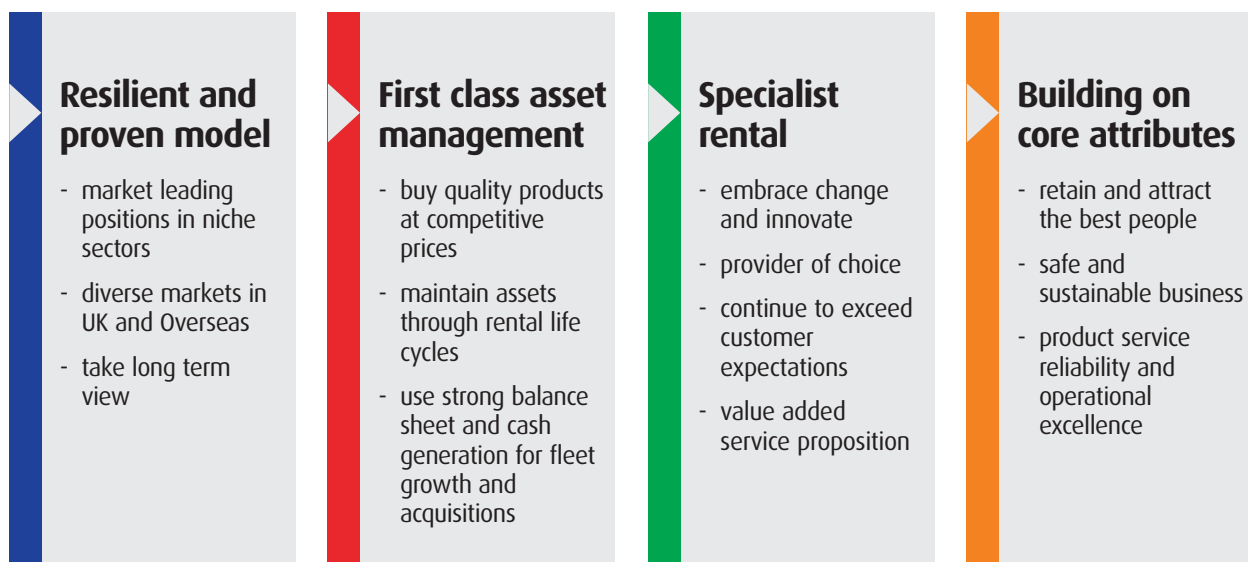
# About Us

Vp is a rental business providing specialist products and services.

Our objective is to deliver sustainable, quality returns to our shareholders by providing products and services to a diverse range of end markets including infrastructure, construction, housebuilding and oil and gas, both in UK and International markets.

## Our Business Model and Strategy

Our aim is to create sustainable value



### How we measure success (Key Performance Indicators)



\*shown in CSR report



# Diverse Range of End Markets

## INFRASTRUCTURE



## CONSTRUCTION



## HOUSEBUILD



## OIL AND GAS



## UK and International

### UK



### EUROPE



### ASIA PACIFIC

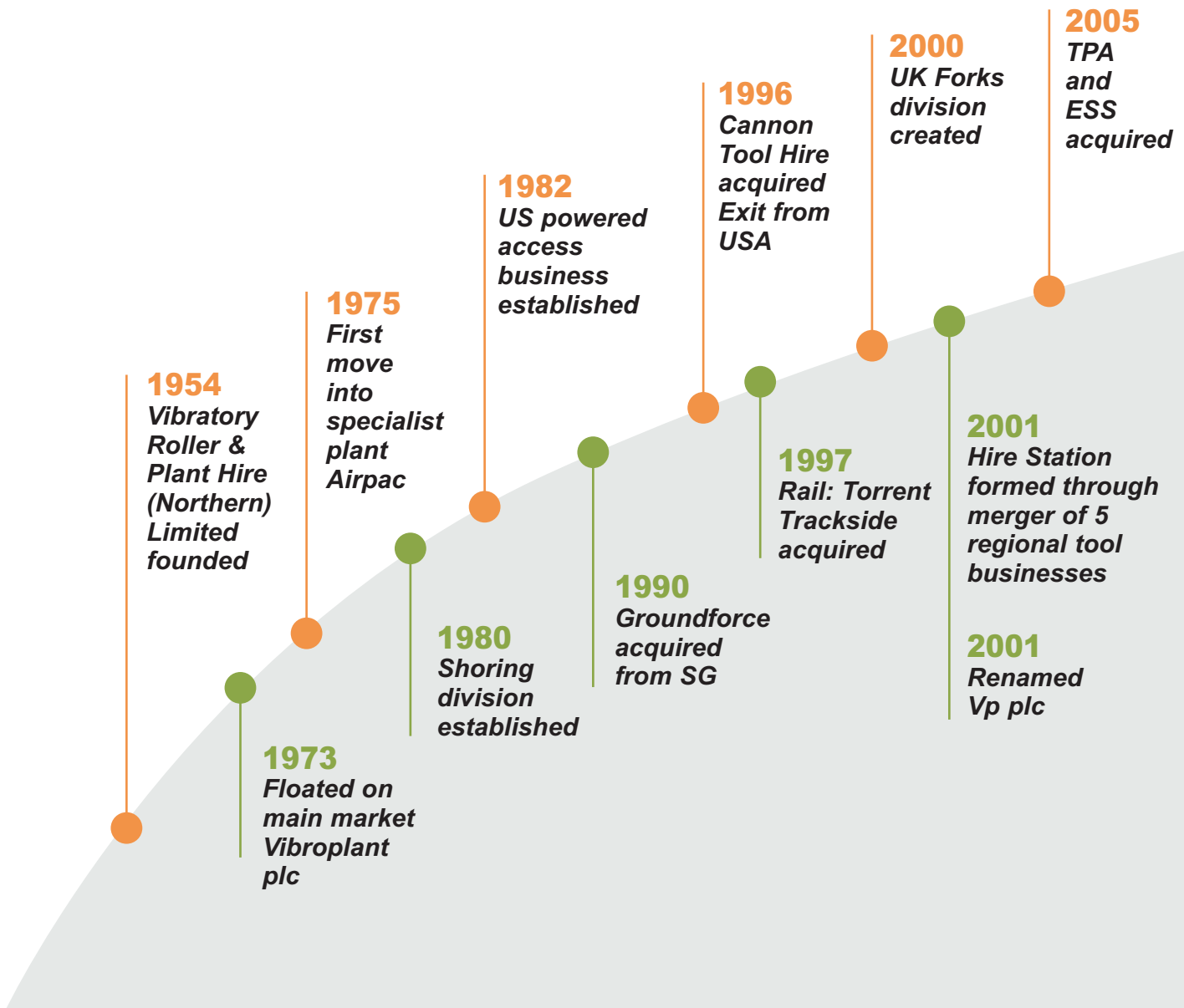


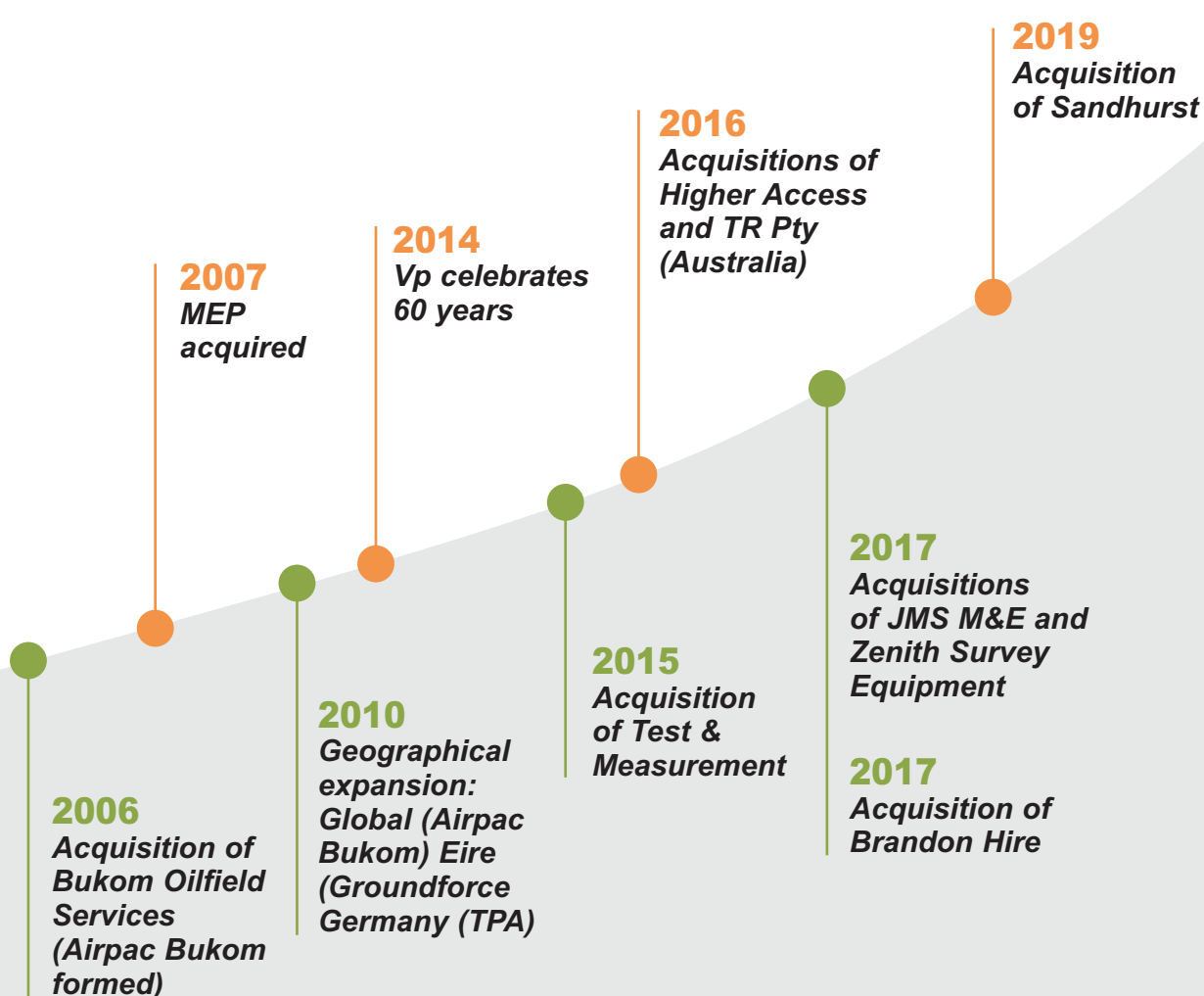
# 65 Years in Business

The Company was founded in 1954 and floated on the UK Stock Market in 1973 as Vibroplant plc.

In 2000, the Company exited its historically core general plant business to focus on higher return specialist activities and subsequently changed its name to Vp plc.

Since then the Group has developed a wide range of sector leading, specialist rental businesses serving a diverse range of end markets in UK and International markets.





Revenue History	1970: £2m	1980: £14m	1990: £70m	2000: £55m	2010: £129m	2014: £183m	2015: £206m	2016: £209m	2017: £249m	2018: £304m	2019: £383m
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# Group Businesses



## Brandon Hire Station

The UK's Tool and Equipment Hire Specialist

Brandon Hire Station is a leading provider of tools and specialist rental products to industry, construction and home owners across the UK.



## ESS Safeforce

Dedicated to your Safety

ESS Safeforce is a specialist provider of safety, survey, communications and test & measurement equipment rental in the UK and the Netherlands.



## MEP Hire

Mechanical, Electrical & Low Level Access Specialists

MEP Hire provides mechanical and electrical press fittings and low level access products to the UK construction, fit out, mechanical and electrical markets.



# Group Businesses



## Torrent Trackside

Railway Plant. Railway People.

Specialist suppliers of rail infrastructure portable plant and related trackside services to Network Rail, London Underground and their appointed track renewal, maintenance and project contractors.



## Groundforce

Specialist Construction Solutions

Groundforce is a market leading rental provider of excavation support systems and specialist products for the water, civil engineering and construction industries with operations in the UK, the Republic of Ireland and mainland Europe.



## TPA

Portable Roadways

TPA Portable Roadways is one of Europe's largest suppliers of temporary access solutions. Operating from bases in the UK and Germany, TPA provides portable roadways and temporary access solutions to customers in the transmission, construction, rail and outdoor events markets.

# Group Businesses



## UK Forks

Materials Handling Specialists

UK Forks is one of the UK's leading specialist hirers of telescopic handlers and tracked access platforms. The products and services are utilised by its customers to improve safety and productivity on construction and housebuilding sites across the UK.

## International division



## Airpac Bukom

Oilfield Services

Airpac Bukom Oilfield Services is an international business supporting a wide range of oil and gas markets, servicing well test, pipeline testing, rig maintenance and LNG markets worldwide.



## TR Group

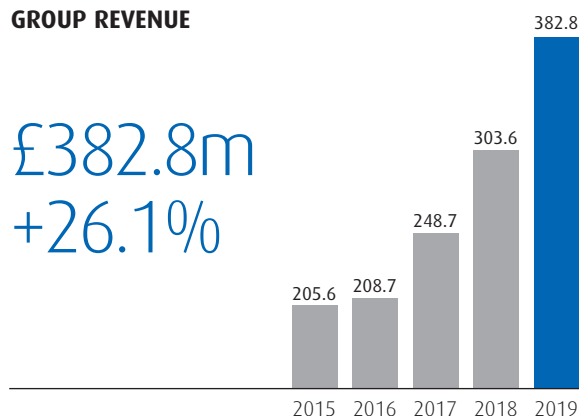
TR is Australasia's leading technical equipment rental group providing test and measurement, communications, calibration and audio visual solutions in Australia, New Zealand and South East Asia.



# Financial Highlights

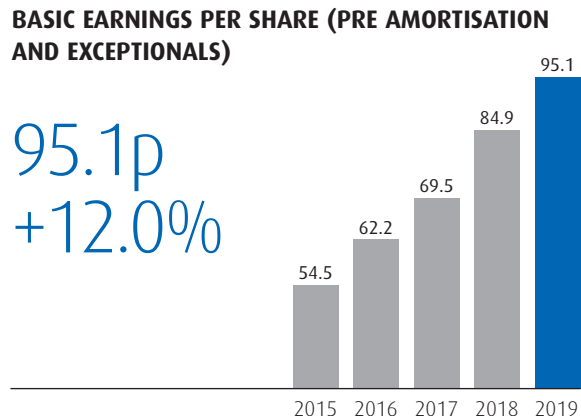
## GROUP REVENUE

£382.8m  
+26.1%



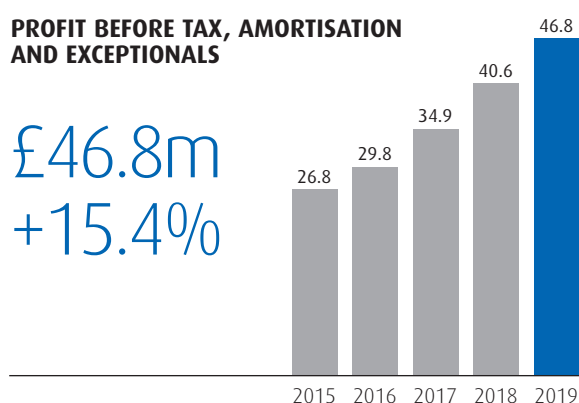
## BASIC EARNINGS PER SHARE (PRE AMORTISATION AND EXCEPTIONALS)

95.1p  
+12.0%



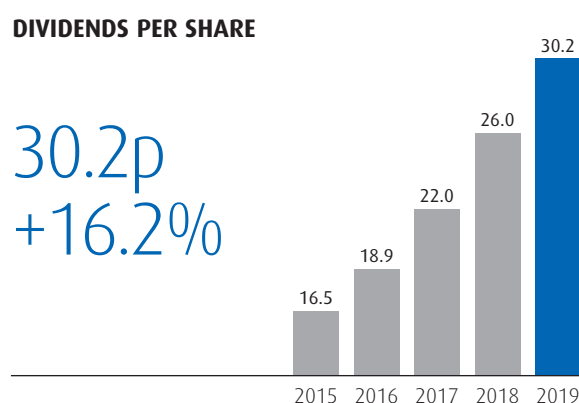
## PROFIT BEFORE TAX, AMORTISATION AND EXCEPTIONALS

£46.8m  
+15.4%



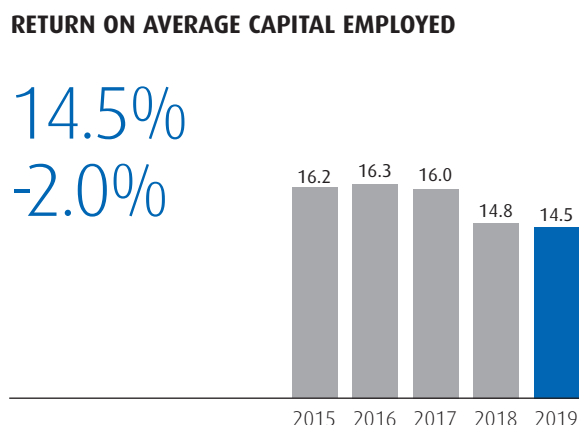
## DIVIDENDS PER SHARE

30.2p  
+16.2%



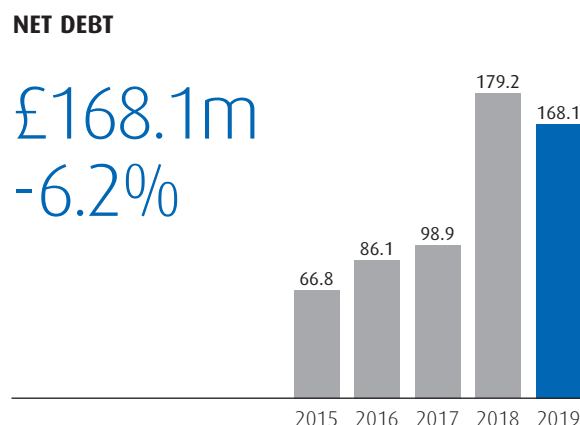
## RETURN ON AVERAGE CAPITAL EMPLOYED

14.5%  
-2.0%



## NET DEBT

£168.1m  
-6.2%



### Notes on alternative performance measures:

- All performance measures stated as before amortisation are also before impairment of intangibles and exceptionals.
- Basic earnings per share pre amortisation and exceptionals is reconciled to basic earnings per share in note 21.
- Profit before tax, amortisation and exceptionals is reconciled to profit before tax in the Income Statement.
- Return on average capital employed is based on profit before tax, interest, amortisation and exceptionals divided by average capital employed on a monthly basis using the management accounts. Profit before tax, interest, amortisation and exceptionals is reconciled to profit before interest and tax in the Income Statement.

# Chairman's Statement

I am delighted to be able to report another set of excellent results for the Group.

**Profits before tax, amortisation and exceptional items increased 15% to £46.8 million (2018: £40.6 million) on revenues ahead by 26% to £382.8 million (2018: £303.6 million). Profit before taxation was £33.6 million (2018: £30.8 million). Net debt at the year-end was £168.1 million (2018: £179.2 million) after funding £63.8 million capital investment in the rental fleet (2018: £64.9 million). Our characteristically strong cash flow of £101.4 million (2018 £84.3 million) supports a healthy net debt to EBITDA ratio of 1.7x. There were no acquisitions in the period.**

Return on average capital employed remained strong at 14.5% (2018: 14.8%) and earnings per share increased 12% to 95.1 pence per share (2018: 84.9 pence per share).

On the basis of what we consider to be an excellent set of results, particularly given the current uncertain political and economic environment, your Board is recommending a final dividend of 22.0 pence per share, making a total for the year of 30.2 pence per share, an increase of 16%. Subject to shareholders approval at the Annual General Meeting to be held on 25 July 2019, it is proposed to pay the final dividend on 8 August 2019 to members registered at 28 June 2019.

Following the acquisition of Brandon Hire in November 2017, the integration process has progressed well and will be largely concluded by the end of this calendar year. The combined business now trades as Brandon Hire Station. Integrating 1,500 people, 200 branches and 200,000 items of rental equipment has been a huge task for both management teams and it is appropriate for me to single them out for special praise for their exceptional work this year. The combined business has traded in line with our expectations at the time of the acquisition and we are confident that Brandon Hire Station will deliver significant benefits for the Group and its shareholders.

Shareholders will no doubt already be aware of the announcement by the Competition and Markets Authority (CMA) on 9 April 2019 that it had reached a provisional determination that Vp, together with two other companies, had acted in a manner deemed to be uncompetitive in the market for certain elements of temporary groundworks. Vp is in the process of reviewing these alleged breaches and we expect to be in a position to respond to the CMA shortly. Following



*Chairman: Jeremy Pilkington*

accounting standards, as explained in note 4, we have made a theoretical provision for costs which is included in the exceptional items. In the meantime, we will continue to co-operate fully with their investigation.

Post the year end, on 10 May 2019, we announced the acquisition of Sandhurst Limited for £3.325 million. Sandhurst is engaged in the rental of specialist excavator attachments to the construction and civil engineering sectors from five locations across the UK. Going forward, Sandhurst will work alongside the Groundforce piling division to offer an enhanced range of products and services.

The Group's primary business objective is to focus on leveraging our specialist rental expertise to deliver enhanced value creation for shareholders over the long term. We seek to be both provider and employer of choice and we pursue market leadership through the delivery of outstanding levels of customer service and satisfaction. We are characterised by a change positive business culture and a dedication to innovation. We strongly believe that these business objectives remain as relevant and valid today as when we first articulated them nearly twenty years ago.

It remains my great pleasure to thank all our employees for their contribution to these excellent results. Our employees are our unique and defining asset and lie behind whatever success we may continue to enjoy.

We have entered the new financial year in excellent shape and we look forward to the challenges and opportunities of the future with confidence and excitement.

**Jeremy Pilkington**  
**Chairman**  
**5 June 2019**



# Business Review

## Overview

Vp plc is a rental business providing specialist products and services to a diverse range of end markets including infrastructure, construction, housebuilding, and oil and gas. The Group comprises a UK and an International Division.



Chief Executive: Neil Stothard

	Year ended 31 March 2019	Year ended 31 March 2018
Revenue	£382.8 million	£303.6 million
Operating profit before amortisation and exceptionals	£51.6 million	£44.0 million
Operating margin	13.5%	14.5%
Investment in rental fleet	£63.8 million	£64.9 million
Return on average capital employed	14.5%	14.8%
Operating profit	£38.3 million	£34.2 million

**The financial year ended 31 March 2019 saw the business deliver significant progress and growth with an increase of 17% in operating profit before amortisation and exceptional items.**

Group operating profits before amortisation and exceptional items were £51.6 million which compares with prior year £44.0 million. Operating margins remained healthy at 13.5% and our key measure of profit quality, return on average capital employed (ROACE), continued to be robust at 14.5%, marginally down on prior year. Revenues grew by 26% to 382.8 million (2018 £303.6 million).

The core end markets which we serve have once again provided a resilient environment for the Group's trading operations, despite the ongoing political and economic uncertainties in the UK, our largest geographic market.

Strong cash generation is a positive characteristic of the Vp business model and EBITDA before exceptionals remained strong, increasing by 20% to £101.4 million (2018: £84.3 million). Net debt at 31 March 2019 was reduced to £168.1 million (2018: £179.2 million).

We continued to invest in our rental fleet with robust gross capital expenditure of £63.8 million very close to last year's peak capex of £64.9 million. Fleet disposal proceeds were improved at £20.0 million (2018: £18.5 million), and generated profit on disposal of £7.6 million (2018: £6.1 million). There were no business acquisitions in the financial year.

After the end of the financial year, on 10 May 2019, we announced the acquisition of the entire issued share capital of Sandhurst Limited for a cash consideration of £3.325million. Sandhurst is engaged in the rental of specialist excavator attachments to the construction and civil engineering sectors from five locations across the UK, and will complement our existing piling business.

# Business Review

## UK Division

Vp's UK division had an excellent trading year delivering a 16% increase in operating profits before amortisation and exceptionals to £49.9 million (2018: £43.0 million). Revenues grew by 29% to £350.3 million (2018: £272.0 million).



	Year ended 31 March 2019	Year ended 31 March 2018
Revenue	£350.3 million	£272.0 million
Operating profit before amortisation and exceptionals	£49.9 million	£43.0 million
Investment in rental fleet	£57.4 million	£59.7 million

**The UK division produced another strong trading performance in the year reporting a 16% increase in operating profit before amortisation and exceptionals to £49.9 million (2018: £43.0 million). Revenues were £350.3 million, 29% ahead of prior year (2018: £272.0 million).**

The UK division comprises seven main business groupings: UK Forks, Groundforce, TPA, Brandon Hire Station, ESS Safeforce, MEP, and Torrent Trackside; which have exposure to the infrastructure, housebuilding, construction and industrial sectors, primarily within the UK, but with a growing presence in mainland Europe.

Trading within the UK Forks division was mixed with solid support from the housebuilding sector being balanced by a more challenging environment in general construction. Activity in the telecoms sector was subdued as the scheduled 5G roll out across the UK remained delayed. Investment in fleet was strong, but slightly down on prior year.

In Groundforce / TPA, solid demand from the infrastructure sector, particularly in support of the water industry's Asset Management Programme 6 (AMP 6) underpinned a strong performance in the UK shoring business, with additional demand derived from housing, utilities and highways during the year. Geographically the South and North regions traded well but the Scottish region experiencing softer demand. A number of important major projects were supported including Battersea Power Station, Hinkley Point and the Luton Airport Dart scheme. Elsewhere, the Groundforce Ireland business also traded well, though the Piling division experienced softer demand through the year.

The temporary roadways business TPA delivered a year of improvement in the UK as efficiency and productivity gains improved margins, further supported by good transmission and rail sector demand in the UK. The TPA and Groundforce businesses in mainland Europe made further progress after a soft start to the financial year.

The year under review is the first full year of ownership of the Brandon Hire business, acquired in November 2017. Progress in integrating the Hire Station tools business with Brandon Hire under a single management team has been very good. The combined, newly named, specialist tool hire division, Brandon Hire Station will operate a 200 branch network across the UK on a common IT platform. The two year integration plan will be completed by the end of the calendar year 2019, as originally envisaged. The exceptional costs of integration are disclosed in note 2. Whilst the construction markets within which Brandon Hire Station operates have been relatively flat, synergies identified pre and post the acquisition have already been delivered, and margins and returns have improved considerably as a result. The longer term fleet refreshment programme has proceeded well with strong capex combined with a pro-active divestment programme of old and non-core hire fleet items.

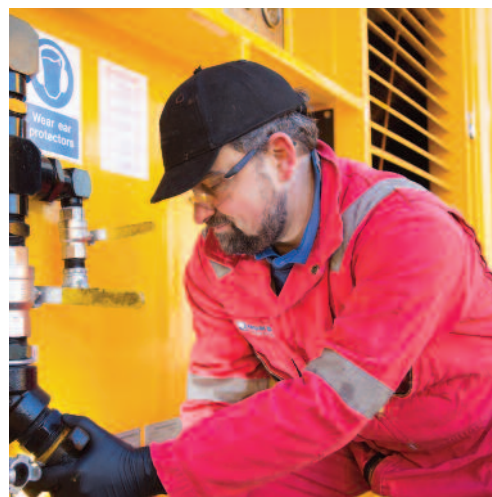
The MEP low level access and press fitting activity had another good year and opened two new locations in support of further regional expansion. ESS Safeforce, our safety, survey and communications business delivered strong revenue growth in the year, driven particularly by success in supporting petrochemical shutdowns in both the UK and the Netherlands. We anticipate further progress in these industrial sectors in the coming year. Fleet investment was healthy and the division opened new locations and expanded existing facilities in support of these initiatives.

The Torrent Trackside business traded well in what has been a particularly volatile period for the UK rail infrastructure sector. The demise of Carillion initially impacted activity levels in the UK rail market with associated work streams paused or cancelled. Eventually this work re-emerged through different channels and Torrent Trackside provided significant support to the associated contractors. The Control Period 5 (CP5) slowed in its final year ahead of the new five year programme, CP6 which commences in 2020. The business continued to reap success by maintaining a keen focus on managing costs and improving service delivery to customers. The CP6 programme comes with a £48 billion budget and Torrent Trackside are well placed to support this over the next five years.

# Business Review

## International Division

The International division delivered improved profit margins in the year as operating profits before amortisation of £1.7 million (2018: £1.0 million) grew by 70% in the year from revenues up 3% to £32.5 million (2018: £31.6 million).



	Year ended 31 March 2019	Year ended 31 March 2018
Revenue	£32.5 million	£31.6 million
Operating profit before amortisation and exceptionals	£1.7 million	£1.0 million
Investment in rental fleet	£6.4 million	£5.1 million

**The International division delivered improved profit margins in the year as operating profit before amortisation grew by 70% to £1.7 million (2018: £1.0 million) from revenues up 3% to £32.5 million (2018: £31.6 million).**

The International division comprises two main business groupings: Airpac Bukom a global supplier to the oil and gas sector with regional hubs in the UK, Australia and Singapore and TR Group which has operations in Australia, New Zealand, Malaysia and Singapore.

Airpac Bukom supports a wide range of onshore and offshore oil and gas markets: well test; pipeline testing; rig and maintenance; and LNG markets worldwide. Whilst progress has been relatively modest, Airpac Bukom did experience tentative signs of improvement in the sector. The historically strong well test market

has remained weak in recent years due to reduced exploration and production (E&P) spend by the oil majors. The business has been active in growing alternative onshore markets which also utilise Airpac Bukom's product and service expertise. The market recovery is slow but we remain confident of delivering future improvement going forward.

The TR Group which is Australasia's leading technical equipment rental business provides test and measurement, communications, calibration and audio visual solutions across the region. The year was one of further progress, in particular, in Australia and Malaysia. Overall the TR Group has a number of progressive new product and service offers which are planned to deliver further business momentum in the coming year and beyond.

# Business Review

## Outlook

The Group has started the new financial year positively and in line with expectations. We believe that our main markets in the UK will be largely supportive, but with a slower growth than experienced in recent years. The International backdrop is also broadly positive and we expect to deliver on fresh initiatives in both Australasia for TR, and the wider oil and gas exploration and maintenance sectors.

The year just finished was one of significant development for the Group, and we are particularly pleased with the quality of the Brandon Hire integration process.

**Neil Stothard**  
**Chief Executive**  
**5 June 2019**

We continue to assist the CMA investigation into the groundworks rental market.

We were delighted to acquire Sandhurst Ltd just after the financial year end and look forward to developing the business further under our ownership. We will continue to pursue opportunities to progressively expand the Vp business, as we have always done. Whilst the UK in particular has some wider political and economic uncertainties, we remain confident that we can deliver further positive development for the Group over the next financial year.



# Financial Review

Group revenues increased by 26% to £382.8 million (2018: £303.6 million). Profit before tax, amortisation and exceptional items (PBTA) rose by 15% to £46.8 million (2018: £40.6 million) with PBTA margins at 12% (2018: 13%) and statutory profit before tax was £33.6 million (2018: £30.8 million). The return on average capital employed was 14.5% (2018: 14.8%).



Group Finance Director: Allison Bainbridge

## EARNINGS PER SHARE, DIVIDEND AND SHARES

Basic earnings per share before the amortisation of intangibles and exceptional items increased from 84.91 pence to 95.14 pence, an increase of 12%. Basic earnings per share after the amortisation of intangibles and exceptional items rose by 6% to 65.20 pence (2018: 61.72 pence).

Exceptional items of £8.6 million (2018: £1.7 million) comprised regulatory review costs, and integration costs in relation to the Brandon Hire acquisition together with restructuring costs in relation to severance payments and depot closure costs within Hire Station and Airpac Bukom.

It is proposed to increase the final dividend to 22.0 pence per share. If approved, the full year dividend would be increased by 4.2 pence (16%) to 30.2 pence with a dividend cover of 3.2 times (2018: 3.3 times) based on earnings per share before amortisation and exceptional items. The final dividend will be paid on 8 August 2019 to all shareholders on the register on 28 June 2019. At 31 March 2019, 40.2 million shares were in issue of which 0.5 million shares were held by the Employee Trust. The average number of shares in issue during the year was 39.6 million (2018: 39.5 million) after adjusting for shares held by the Employee Trust.

## BALANCE SHEET

Net assets increased by £14.5 million to £168.9 million. The Group's balance sheet is summarised above.

Property, plant and equipment increased by £9.0 million to £248.7 million. The movement in the year mainly comprised; £71.4 million (2018: £71.4 million)

	As at 31 March 2019 £'million	As at 31 March 2018 £'million
Property, plant and equipment	<b>248.7</b>	239.7
Intangible assets/goodwill	<b>89.7</b>	94.3
Working capital	<b>4.3</b>	6.7
Pension asset	<b>2.7</b>	2.2
Deferred tax liability	<b>(8.4)</b>	(9.3)
Net debt	<b>(168.1)</b>	(179.2)
<b>Net assets</b>	<b>168.9</b>	154.4

total capital expenditure offset by £49.8 million total depreciation and £12.4 million net book value of disposals, the balance being foreign exchange movement. Rental equipment at £220.0 million (2018: £211.9 million) accounts for 88% of property, plant and equipment net book value.

Expenditure on equipment for hire was £63.8 million (2018: £64.9 million) and depreciation of rental equipment £43.1 million (2018: £36.1 million).

The Group carried forward £27.2 million (2018: £31.1 million) of intangible assets and £62.5 million (2018: £63.2 million) of goodwill at 31 March 2019. The movement in intangibles in the year reflects £3.9 million of amortisation. The movement in goodwill comprises of £0.7 million impairment. Taking into account current and budgeted financial performance the Board remains satisfied with the carrying value of the remaining assets.

# Financial Review

Average debtor days reduced to 58 days compared to 59 days in the previous year. Gross trade debtors were £75.6 million at 31 March 2019 (2018: £69.2 million). Bad debt and credit note provisions totalled £5.5 million (2018: £6.3 million) equivalent to 7% (2018: 9%) of gross debtors. The bad debt write off for the year ended 31 March 2019 as a percentage of total revenue was 0.5% (2018: 0.5%).

The Group's defined benefit pension schemes have a surplus of £2.7 million which is recorded as an asset on the balance sheet on the basis the Company has an unconditional right to a refund of the surplus. The valuation of the pension schemes is subject to uncertainty associated with the assumptions used. This is covered in more detail in notes 1 and 25.

## CASH FLOWS AND NET DEBT

The Group continues to generate strong cash flows and EBITDA before exceptionals totalled £101.4 million (2018: £84.3 million).

After funding strong capital expenditure, net debt reduced by £11.1 million from £179.2 million at 31 March 2018 to £168.1 million at 31 March 2019. The Group's cash flow is summarised below:

	2019 £'million	2018 £'million
<b>EBITDA before exceptionals</b>	<b>101.4</b>	84.3
<b>Cash generated from operations</b>	<b>92.7</b>	73.6
Net capital expenditure	<b>(54.6)</b>	(53.1)
Interest and tax	<b>(12.8)</b>	(10.4)
Dividends	<b>(10.9)</b>	(9.0)
Acquisitions	-	(49.7)
Other	<b>(3.3)</b>	(1.2)
<b>Cash movement</b>	<b>11.1</b>	(49.8)
<b>Debt acquired</b>	-	(30.5)
<b>Change in net debt</b>	<b>11.1</b>	(80.3)

After adjusting for an outflow for capital creditors of £3.2 million, cash flows in respect of capital expenditure were £74.6 million (2018: £71.6 million). Proceeds from disposal of assets amounted to £20.0 million (2018: £18.5 million), producing a profit on disposal of £7.6 million (2018: £6.1 million). The margin on profit on sale from disposals of fleet assets at 38% (2018: 33%) reflects prudent depreciation policies and strong asset management.

Net interest expense for the year totalled £4.7 million (2018: £3.4 million). Interest cover before amortisation was 11.21 times (2018: 11.4 times) and the gearing ratio of adjusted Net Debt/EBITDA was 1.62 (2018: 1.89); both are calculated in accordance with our bank facility agreements and are comfortably within our covenants of greater than 3 times and lower than 2.5 times respectively.

Dividend payments to shareholders totalled £10.9 million (2018: £9.0 million), and cash investment in own shares on behalf of the Employee Benefit Trust (EBT) during the year was £3.3 million (2018: £0.8 million).

## CAPITAL STRUCTURE AND TREASURY

The Group finances its operations through a combination of shareholders' funds, bank borrowings, finance leases and operating leases. The capital structure is monitored using the gearing ratio quoted above. The Group's funding requirements are largely driven by capital expenditure and acquisition activity. As at 31 March 2019 the Group had £200 million (2018: £200 million) of committed revolving credit facilities. In addition to the committed facilities the Group's net overdraft facility at the year end was £7.5 million (2018: £5 million). These facilities are with Lloyds Bank plc and HSBC Bank plc. Borrowings under the Group's bank facilities are priced on the basis of LIBOR plus a margin. The interest rate margin is linked to the net debt to EBITDA leverage of the Group.

The Group has exposure to movements in interest rates on its borrowings, which is managed by maintaining a mix of fixed and floating interest rates. At the year end the Group had sixteen interest rate swaps to hedge the risk of exposure to changes in interest rates, these swaps have fixed interest rates net of bank margin at between 0.29% and 1.20% and are detailed in note 16 on page 81 of the accounts. In the year ended 31 March 2019, the fixed element of borrowings was £82 million which was 44% of average net debt.

# Financial Review

The Group is exposed to movements in exchange rates for both foreign currency transactions and the translation of net assets and income statements of foreign subsidiaries. The Group regards its interests in overseas subsidiary companies as long term investments and manages its translational exposures through the currency matching of assets and liabilities where possible.

The matching is reviewed regularly with appropriate risk mitigation performed, where necessary. The Group has exposure to a number of foreign currencies. The Group had six foreign exchange hedges to reduce the risk of rate fluctuations between US dollars and Sterling in the year ended 31 March 2019. It also has further foreign exchange hedges between US dollars and Sterling covering the period from 1 April 2018 to 30 June 2019.

## TAXATION

The overall tax charge on profit before tax was £7.8 million (2018: £6.4 million), an effective rate of 23.1% (2018: 20.9%). The current year tax charge was reduced by £187,000 (2018: £185,000 increase) in respect of adjustments relating to prior years. Further details of the prior year adjustments are provided in note 8. The underlying tax rate was 20.6% (2018: 19.4%) before prior year adjustments and disallowable expenses. A more detailed reconciliation of factors affecting the tax charge is shown in note 8 to the Financial Statements.

## SHARE PRICE

During the year the Company's share price increased by 24% from 850 pence to 1050 pence, compared to a 6.2% decrease in the FTSE small cap index excluding investment trusts. The Company's shares ranged in price from 820 pence to 1230 pence and averaged 1025 pence during the year.

**Allison Bainbridge**  
**Group Finance Director**  
**5 June 2019**

# Viability Statement

## The directors have assessed the viability of the Group up to 31 March 2021.

The directors have assessed the prospects of the Group in accordance with provision C.2.2 of the UK Corporate Governance Code 2014 with reference to the Group's current position, its strategy, risk appetite and the potential impact of the principal risks and how these are managed. During the financial year the Group has continued to use regular reporting of the lead indicators relating to the principal risks.

The assessment of the Group's prospects by the directors covers the two years to 31 March 2021 and is underpinned by management's 2019 – 2021 business plan which includes projections of the Group's profit performance, cash flow, investment plans and returns to shareholders.

The forecasts have been subjected to sensitivity analysis, involving the flexing of key assumptions reflecting severe but plausible scenarios. A range of scenarios have been modelled to reflect changing circumstances with respect to the principal risks facing the Group together with the likely effectiveness of mitigating actions that would be executed by the directors. These scenarios include consideration of the impact of a downturn in economic activity, the loss of market share and the crystallisation of a financial risk.

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 over the two year assessment period.

## Risk Management

**The Board is responsible for determining the level and nature of risks it is appropriate to take in delivering the Group's objectives, and for creating the Group's risk management framework. The Board recognises that good risk management aids effective decision making and helps ensure that risks taken on by the Group are adequately assessed and challenged.**

### RISK ASSESSMENT

The Group has an established risk management strategy in place and regularly reviews divisional and departmental risk registers as well as the summary risk registers used at board level. A risk register is prepared as part of the due diligence carried out on acquisitions and the methodology is subsequently embedded.

All risk registers have a documented action plan to mitigate each risk identified. The progress made on the action plan is considered as part of the risk review process. The summary divisional and departmental risk registers and action plans were reviewed at risk meetings held in May 2019. In all cases it is considered that the risk registers are being used as working documents which provides the required assurance that existing risks are being managed appropriately. In addition, the risk registers provide a process for recognising, scoring and thus appropriately managing new risks.

The risk registers are reviewed at the start (to facilitate the planning process) and at the end of each internal audit project. A post audit risk rating is agreed with management. If new risks are identified following an

audit project they are added to the relevant risk register. Heat maps illustrating post audit risk ratings and new risks are provided to the board in each published internal audit report.

To promote risk awareness amongst group and divisional employees, risk registers are disseminated further down levels of management.

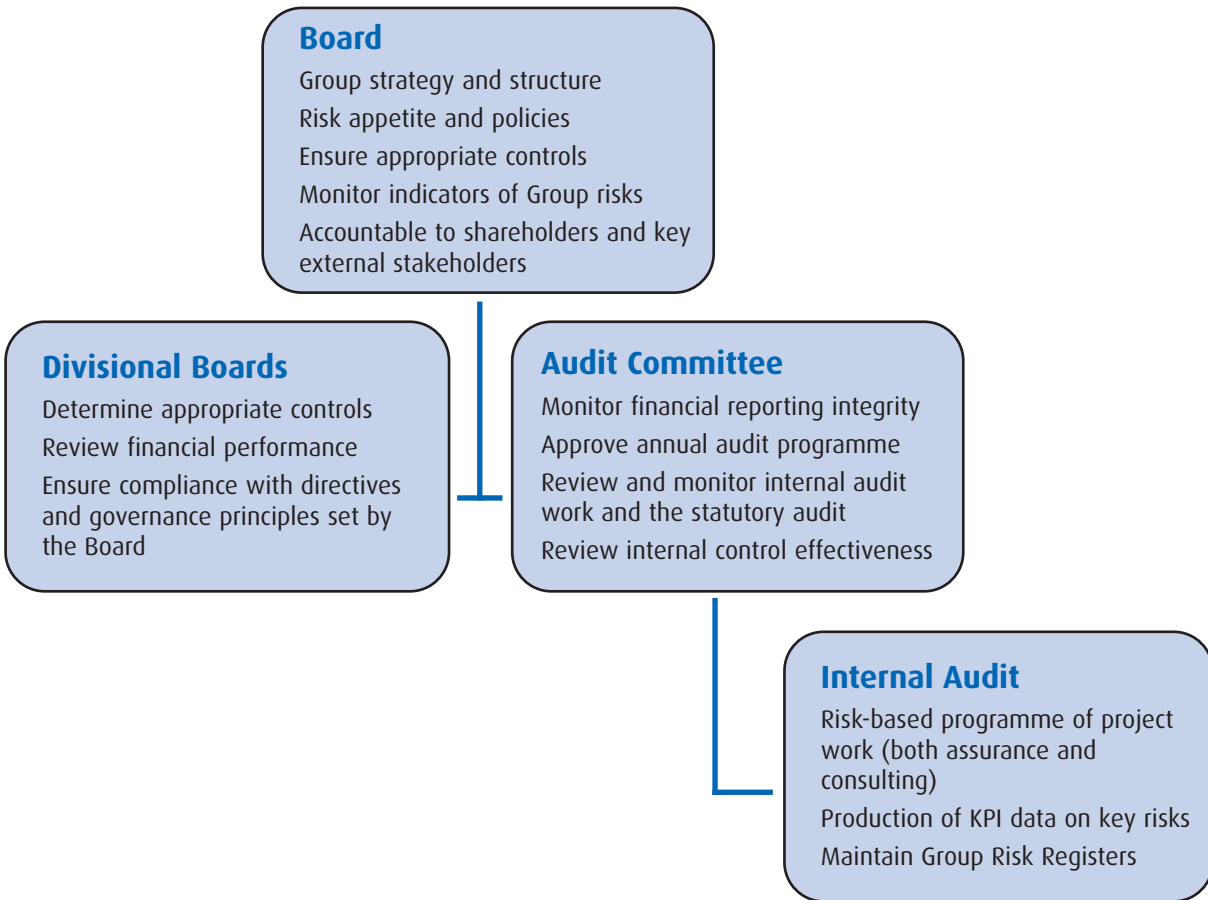
Any new businesses acquired into the Group are brought into the Group's risk management process. In this respect, Brandon Hire is being aligned into Vp's risk management process.

The current financial year will see a full review of risk management within the Vp Group. The overall aim of this review is to refresh and ensure the effectiveness of the Group's current risk management process.

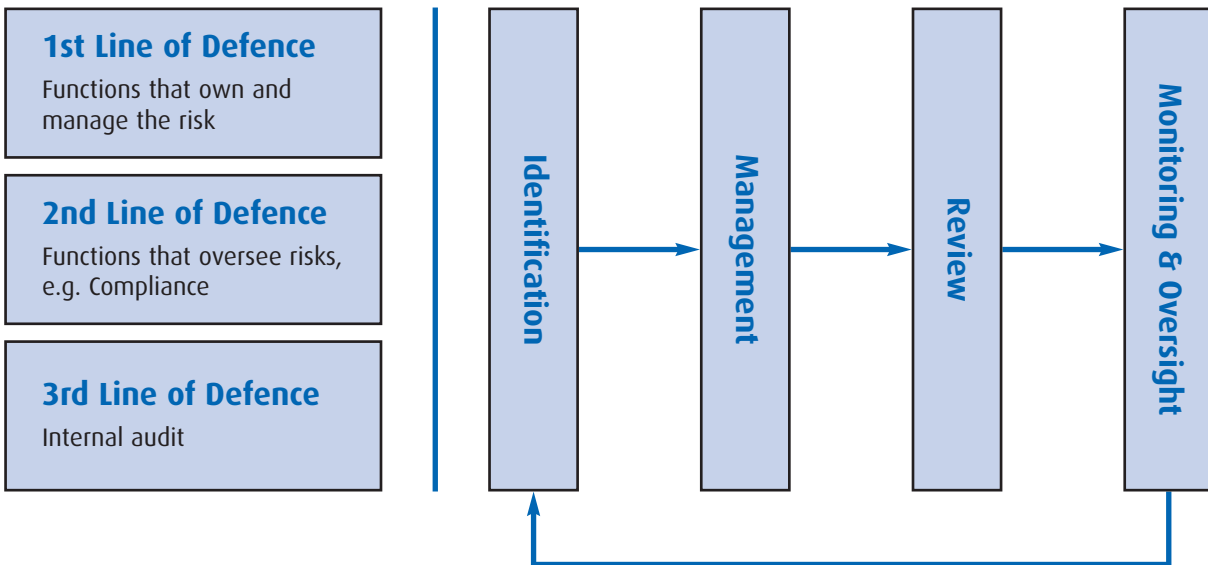
Further information is provided on pages 20 and 21 on our principal risks and uncertainties section alongside the mitigating activities to address them.

# Risk Management

Our risk reporting framework is set out below:








The Group operates the following approach to risk management:






# Principal Risks and Uncertainties

The directors carry out a robust assessment of the principal risks facing the Group and have implemented lead indicator reporting on these risks. The principal risks in the current risk register are:

RISK DESCRIPTION	MITIGATION	CHANGE FROM 2018
<p><b>Market risk</b> An economic downturn (as a result of economic cycles, political or Brexit related uncertainty) could result in worse than expected performance of the business due to lower activity levels or prices.</p>	<p>Vp provides products and services to a diverse range of markets with increasing geographic spread. The Group regularly monitors economic conditions and our investment in fleet can be flexed with market demand. We have reviewed potential Brexit related risks including exchange rates, tariffs, human resources and legislation and have concluded that other than market uncertainty the risks are assessed as relatively low impact.</p>	
<p><b>Competition</b> The equipment rental market is already competitive and could become more so, impacting market share, revenues and margins.</p>	<p>Vp aims to provide a first class service to its customers and maintains significant market presence in a range of specialist niche sectors. The Group monitors market share, market conditions and competitor performance and has the financial strength to maximise opportunities.</p>	
<p><b>Investment/Product Management</b> In order to grow it is essential the Group obtains first class products at attractive prices and keeps them well maintained.</p>	<p>Vp has well established processes to manage its fleet from investment decision to disposal. The Group's return on average capital employed was a healthy 14.5% (2018: 14.8%) in 2018/19. The quality of the Group's fleet disposal margins also demonstrate robust asset management and appropriate depreciation policies.</p>	
<p><b>People</b> Retaining and attracting the best people is key to our aim of exceeding customer expectations and enhancing shareholder value.</p>	<p>Vp offers well structured reward and benefit packages, and nurtures a positive working environment. We also try to ensure our people fulfil their potential to the benefit of both the individual and the Group, by providing appropriate career advancement and training.</p>	
<p><b>Safety</b> The Group operates in industries where safety is a key consideration for both the wellbeing of our employees and customers that hire our equipment. Failure in this area would impact our results and reputation.</p>	<p>The Group has robust health and safety policies and management systems. Our induction and training programmes reinforce these policies. We have compliance teams in each division.</p> <p>We provide support to our customers exercising their responsibility to their own workforces when using our equipment.</p>	

# Principal Risks and Uncertainties

RISK DESCRIPTION	MITIGATION	CHANGE FROM 2018
<p><b>Financial risks</b></p> <p>To develop the business Vp must have access to funding at a reasonable cost. The Group is also exposed to interest rate and foreign exchange fluctuations which may impact profitability and has exposure to credit risk relating to customers who hire our equipment.</p>	<p>The Group has a revolving credit facility of £200 million and strong relationships with all banking contacts. Our treasury policy defines the level of risk that the Board deems acceptable. Vp continues to benefit from a strong balance sheet, with growing EBITDA, which allows us to invest into opportunities.</p> <p>Our treasury policy requires a significant proportion of debt to be at fixed interest rates and we facilitate this through interest rate swaps. We have agreements in place to buy or sell currencies to hedge against foreign exchange movements. We have strong credit control practices and use credit insurance where it is cost effective. Average debtor days were 58 days (2018: 59 days) and bad debts as a percentage of revenue remained low at 0.5% (2018: 0.5%).</p>	
<p><b>Contractual risk</b></p> <p>Ensuring that the Group commits to appropriate contractual terms is essential; commitment to inappropriate terms may expose the Group to financial and reputational damage.</p>	<p>The Group mainly engages in supply only contracts. The majority of the Group's hire contracts are governed by the hire industry standard terms and conditions. Vp has robust procedures for managing non standard contractual obligations.</p>	
<p><b>Legal and Regulatory Requirements</b></p> <p>Failure to comply with legal or regulatory obligations culminating in financial penalty and/or reputational damage.</p>	<p>The Group mitigates this risk utilising:</p> <ul style="list-style-type: none"> <li>• Specialist Project Committees (e.g. GDPR) with ongoing responsibility to review key compliance areas and investigate breaches and non-conformance.</li> <li>• Assurance routines from Group Internal Audit and External Auditors.</li> <li>• Comprehensive training and awareness programmes rolled out to wider business (including GDPR, Modern Slavery, Competition Law, Bribery and Corruption) by representatives from Group Finance, HR, Internal Audit and IT.</li> <li>• Established whistleblowing policy circulated to all employees.</li> <li>• Use of legal advisers where required.</li> </ul>	

 Decreased risk    
  Increased risk    
  No change

# Corporate Social Responsibility

## OVERVIEW

Corporate social responsibility forms an integral part of our business strategy and is focused on our people, business relationships and ethics, health and safety, the environment, and our communities.

## OUR PEOPLE

### Recruitment

Retaining and attracting the best people supports our aims of exceeding our customers' expectations and enhancing shareholder value.

Our continued business success is reliant upon the skills, talent and commitment of our global workforce. As well as developing and promoting talent from within the business, our recruitment practices are designed to attract the very best from the pool of available talent.

We recognise the need to train the engineers of the future and we have successfully operated apprentice schemes since our earliest years with our current scheme entering its twelfth year of operation. The apprenticeship offered by Vp is based around a three year NVQ, which combines college learning with work experience delivering a balance of technical skills and practical experience.

We currently have 37 apprentices across the Group, 13 are completing their first year, 14 are completing their second year and 10 will complete their apprenticeships this year. We are recruiting 43 further apprentices to start in September 2019.

A Group Graduate Programme was introduced in 2018 and is now in place across Vp. In 2018 two graduates were recruited into our graduate scheme with a further 2 graduates due to begin in September 2019. In addition, our Groundforce business acquired Institution of Civil Engineers (ICE) approval for graduate training which is designed to provide a structured pathway for graduates to gain sufficient experience in their progression to becoming incorporated or chartered engineers.

We recognise that a diverse workforce helps to promote innovation and business success. The Group is an equal opportunity employer committed to providing the same level of opportunity to all. Women are represented at all levels of our organisation, 20% of the board and 18% of senior managers are female.

Workforce by gender	Male	Female	Female %
Board of directors	4	1	20
Senior management	80	14	18
All employees	2,700	440	16

### Retention

Retaining talented people is vital to our continued success. We aim to build and maintain excellent relationships with our employees. We take our duty of care to our employees seriously; we encourage them to achieve an appropriate work life balance and we provide access to confidential advice and support on personal issues such as health and financial problems.

Employee share ownership is encouraged and where practical the Group offers the opportunity to participate in share schemes. At 31 March 2019, approximately 42% (2018: 47%) of our UK employees were participating in the Save As You Earn Scheme.

A major factor in our success in delivering operational excellence and outstanding customer service is the continuity provided by long service which is recognised and celebrated throughout the business. As a group, over 44% of our employees have in excess of five years' service and 29% have more than ten years' service. We aim to keep employee turnover as low as possible. Our employee turnover was 25% in the year (2018: 24%).

We operate comprehensive training modules at all levels of employment throughout the Group. These commence with detailed induction training and then advance to cover the technical skills required to carry out each role effectively and safely. Management development programmes are run for all individuals new to management roles and we actively encourage and sponsor individuals to develop themselves through further education programmes. The Group now also offers a leadership development programme, which aims to further enhance the capability of the business to handle change and the challenges of the future.





# Corporate Social Responsibility

## BUSINESS RELATIONSHIPS AND ETHICS

The Group has always conducted its business responsibly and ethically. The Group is committed to operating with honesty and integrity, and all employees are expected to maintain high standards. The standards expected are specified in codes of conduct to which employees are required to adhere, including compliance with all applicable laws and regulations. The Group has clearly stated any zero tolerance policies in relation to acts of bribery and corruption and anti competitive behavior.

The Group also supports the Universal Declaration of Human Rights. At Vp, we believe in the rights of individuals and take our responsibilities seriously with regard to all our employees, as well as those who may be affected by our activities. In particular Vp supports the objectives of the Modern Slavery Act and will not tolerate slavery or human trafficking within its own supply chain.

Our procurement activities are aligned to our company values and to the laws of the countries in which we operate. We take a risk based approach regarding our supply chain; where possible we build longstanding relationships with our suppliers and make clear our expectations of behaviour and we have systems in place to encourage the reporting of concerns. In the small number of instances where we assess the risk to be relatively high we carry out checks to ensure compliance with stated policies and procedures. During the year the Group, having continued its reviews of the supply chain, published its second modern slavery statement.

## HEALTH & SAFETY

Excellent health and safety performance is fundamental to our business. It is essential that we provide a safe working environment for our employees and that the equipment we supply to our customers is safe and fit for purpose.

We strive to minimise accidents and dangerous occurrences. We aim to continually improve standards of health and safety within all our businesses and with our customers. The Group sets an overall policy for the management of health and safety. The Chief Executive retains oversight in this area and discusses performance on a regular basis with the individual businesses. He also reports to the Board on overall performance and any more serious incidents that arise.

Operational responsibility lies within the Group's individual businesses which are closest to and best positioned to manage their risks. All businesses, however, have clear policies and procedures and appropriate risk assessment techniques backed by training and clear communication.

Training is focused not only on specific hazards but also the wider obligations of management. These activities are overseen by appropriately qualified and experienced health and safety advisers and are subject to regular audit, both internally and externally.

As noted above Health and Safety performance is monitored at a business level. This incorporates analysis of accidents, near misses and dangerous occurrences. Where accidents, near misses or dangerous occurrences happen these are investigated in order for them to be fully understood and for appropriate action to be taken to minimise the risk of occurrence.

We ended the year with an Accident Frequency Rate of 0.19, an increase on our 2018 rate of 0.09, reflecting the ongoing process to integrate the Brandon Hire acquisition onto a common Health and Safety platform with the rest of the group.

The AFR is calculated by multiplying the number of RIDDOR reportable accidents by 100,000 (the average number of hours worked in a lifetime), divided by the overall number of hours worked by all members of staff. Reportable accidents under the Reporting of Injuries Disease and Dangerous Occurrences regulations 1995 were also higher at 15 in the year of which 9 arose in Brandon Hire branches (2018: 4).

	2019	2018	2017
Accident frequency rate	0.19	0.10	0.13

# Corporate Social Responsibility

## ENVIRONMENT

We are aware of the impact our business has on the environment and it is our aim to ensure that we minimise any adverse impacts from our operations. The Group Finance Director takes a direct interest in our environmental impact and operational responsibility for this rests with the Group's operating businesses.

Whilst given the nature of its activities the Group's direct impact on the environment is comparatively modest, group policies and standards are in place which aims to minimize this impact wherever possible. These include;

- Compliance with all relevant national and regional legislation as a minimum standard
- Employment of practical energy efficiency and waste minimisation measures
- Policies in relation to purchase and use of vehicles to minimise environmental impact
- Provision of inter office IT network together with communications and video conferencing to reduce business travel.

Greenhouse gas emissions data for the year is set out below:

Scope 1		Scope 2		Scope 3	
Direct emissions resulting from combustion of fuels		Indirect emissions from electricity purchased		Other indirect emissions, e.g. road freight	
Tonnes CO <sub>2</sub> e		Tonnes CO <sub>2</sub> e		Tonnes CO <sub>2</sub> e	
2019	21,200	2019	3,303	2019	4,331
2018	16,622	2018	3,023	2018	5,604
2017	13,701	2017	2,877	2017	5,521

Normalised Tonnes of CO<sub>2</sub> per £m revenue (intensity measure)

2019	75
2018	83
2017	89

Absolute CO<sub>2</sub> emissions have increased. However, once adjusted for higher activity levels normalised CO<sub>2</sub> emissions reduced by 9.5% from 83.2 tonnes per £1 million of revenue to 75.3 tonnes per £1 million revenue.

We have reported on all of the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The method we have used to calculate GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with the latest emission factors from Defra. Waste disposal, waste recycling and business travel have not been included as the data has not been collected.

We are fully compliant with the government guidelines on the Energy Savings Opportunity Scheme (ESOS). ESOS is a mandatory energy assessment scheme for organisations in the UK that meet the qualifications criteria. The assessment was undertaken by energy and environmental consultants.

## COMMUNITY

We aim to have a positive impact on communities in which we operate. We actively encourage our teams to support their communities by providing their time and enthusiasm to raise money for local and national charities. In most cases the monies raised by employees are matched by the Group.

During the year we donated £29,000 (2018: £27,000) to charities. This included donations in support of employees participating in fund raising activities.

### STRATEGIC REPORT

The strategic report has been signed on behalf of the Board by:

**Neil Stothard**  
**Chief Executive**  
**5 June 2019**

# The Board



**Jeremy Pilkington** BA (Hons)  
**Chairman**

#### Appointment

Appointed to the board in 1979 and became Chairman in 1981.

#### Experience

Jeremy was Chairman and Chief Executive between 1981 and 2004.

#### Committee membership

Chairman of the Nomination Committee.



**Neil Stothard** MA, FCA  
**Chief Executive**

#### Appointment

Appointed to the board as Finance Director in 1997 and became Group Managing Director in 2004 and subsequently Chief Executive.

#### Experience

Neil previously held Finance Director roles in the business travel management and logistics sectors. He is a non-executive director of Wykeland Group Limited.

#### Committee membership

None



**Allison Bainbridge** MA, FCA  
**Group Finance Director**

#### Appointment

Appointed to the board as Finance Director in March 2011.

#### Experience

Allison was previously Group Finance Director of Kelda Group Limited, the holding company of Yorkshire Water and also Finance Director of Yorkshire Water. She is a non-executive director of RPS Group Plc.

#### Committee membership

None



**Steve Rogers** BSc, FCA, JP  
**Non-executive Director**

#### Appointment

Appointed to the board in October 2008.

#### Experience

Steve retired as a senior partner of PricewaterhouseCoopers in 2007. He is a non-executive director of Arran Isle Group (formerly Heywood Williams Plc).

#### Committee membership

Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.



**Phil White** BCom, FCA, CBE  
**Non-executive Director**

#### Appointment

Appointed to the board in April 2013.

#### Experience

Phil is a chartered accountant and has extensive experience within both listed and private companies. He is Chairman of Lookers Plc and Unite Group Plc.

#### Committee membership

Chairman of the Remuneration Committee and member of the Audit and Nomination Committees.

# Governance

## INTRODUCTION FROM THE CHAIRMAN

The Board is accountable to our shareholders and stakeholders for the Group's activities and is responsible for the effectiveness of corporate governance.

The values and ethical standards of the Group rest upon principles of fairness, integrity and respect and the Board seek to promote and exemplify these values in discharging their responsibilities. These principles are both ethically based and commercially essential to delivering our strategic and growth objectives and to the long term success of the Company.

The Corporate Governance Report is set out on pages 25 to 55 and includes the Directors' Remuneration Report on pages 32 to 45. This section of the annual report covers how we manage the Group and how we comply with the provisions of the UK Corporate Governance Code. The Group continues to maintain and review its systems, processes and policies to support its governance practices.

The revised UK Corporate Governance Code which was published in July 2018 (the "Revised Code") applies to the Group with effect from 1 April 2019. The Board has begun to consider the implications of the new code and changes required. In particular the Remuneration Committee has agreed to review these further during the year when the Remuneration Policy will be renewed and will be impacted by the changes in the Revised Code and compliance with it will be included as part of next year's reporting.

The Board is pleased to report that throughout the year the Company complied with all provisions of the UK Corporate Governance Code 2016 as applicable to a small market capitalisation company. This report and the following reports of the Committees describe the structures, processes and events through which compliance is achieved.

## CORPORATE GOVERNANCE

### Board structure

The Board comprised two executive directors, two non-executive directors and the Chairman. All directors are subject to annual re-election by shareholders. Accordingly, all the directors will retire at the AGM in July 2019 and their details are provided on page 25.

Length of service of director	Balance of directors	Balance of directors	
31 March 2019	31 March 2019	31 March 2019	
One to two years	-	<b>Gender</b>	
Two to three years	-	Male	4
Four to six years	1	Female	1
More than six years	4	<b>Role</b>	
		Executive Chairman	1
		Executives	2
		Non executives	2

The roles of the Chairman and Chief Executive are separate and clearly defined. The Chairman, Jeremy Pilkington, is responsible for the effective working of the Board and leading the development of the strategic agenda for the Group.

The Chairman is also responsible for promoting a culture of openness and debate, in addition to ensuring constructive and productive relations between executive and non-executive directors.

The Chief Executive, Neil Stothard, has operational responsibility for the management of the Group's business and for implementation of the strategy as agreed by the Board.

The role of the non-executive directors is to provide independent and considered advice to the Board in matters of strategy, risk and performance, whilst providing governance oversight through operation of the Board's committees.



# Governance

The Board is satisfied that all non-executive directors are independent and that there are no circumstances or relationships that may affect judgments.

Each director is required, in accordance with the Companies Act 2006, to declare any interests that may give rise to a conflict of interest with the Company on appointment and subsequently as they may arise. Where such conflict, or potential conflict arises the Board is empowered under the Company's articles of association to consider and authorise such conflicts as appropriate and subject to such terms as they think fit. No such conflict arose during the year under review.

Any term of a non-executive director beyond six years is reviewed. Given one non-executive director has served for longer than this, the Board will take steps to refresh the Board in the forthcoming financial year.

Our senior independent director, Steve Rogers, is available to shareholders if they request a meeting or have concerns which contact through normal channels has failed to resolve. No such requests were received during the year.

The board is assisted by the Audit, Remuneration and Nomination Committees. Separate reports from the Audit and Remuneration Committees can be found on pages 30 and 32. There were no Nomination Committee meetings during the year. The Chair of each Committee provides regular updates at Board meetings.

## Board meetings and operation

The Board's agenda seeks to achieve a balance between review of performance, the development of strategy, the adoption of appropriate corporate policies and the management of risk and regulatory obligations.

The Board has a clearly documented schedule of matters reserved for its approval including:

- Strategy,
- Group results and the Annual Report and Accounts,
- Significant market announcements,
- Dividends and dividend policy
- Annual budgets and business plan,
- Major capital expenditure, significant investments or disposals
- Review of internal control and risk management
- Treasury policy.

In certain areas, specific responsibility is delegated to committees of the Board within defined terms of reference.

Matters falling outside of the Board's reserved list are delegated to the Group executive under the direction of the Chief Executive; responsibilities are delegated further to the Group's business segments and in turn within each business.

A system of delegated authorities whereby the incurring of expenditure and assumption of contractual commitments can only be approved by specified individuals and within predefined limits is in place throughout the Group.

Detailed papers are made available in advance of meetings in support of relevant agenda items. The Company Secretary assists the Chairman in ensuring that Board procedures are followed and is available to assist directors generally as well as advising on matters of corporate governance.

The Company Secretary, Allison Bainbridge is also the Group Finance Director. The Board continues to keep the Company Secretary role under review, but feels that the combination of the roles continues to work well for the business as a whole.

# Governance

The Board had six scheduled meetings during the year, but will meet on other occasions should circumstances require.

	Board	Audit	Remuneration	Nomination
Number of meetings held	6	3	2	0
<i>Executive directors</i>				
Jeremy Pilkington	6	-	-	-
Neil Stothard	6	-	-	-
Allison Bainbridge	6	-	-	-
<i>Non-executive directors</i>				
Steve Rogers	6	3	2	-
Phil White	6	3	2	-

Whilst Jeremy Pilkington, Neil Stothard and Allison Bainbridge are not members of the Audit Committee, they did attend all meetings; they also attended, in part, certain of the Remuneration Committee meetings. There were no Nomination Committee meetings.

During the year the non-executive directors met with the Chairman without the executive directors present and the non-executives met without the Chairman present.

The Board is satisfied that the Chairman and each of the non-executive directors committed sufficient time during the year to enable them to fulfill their duties as directors of the company.

## Appointments to the Board

The Nominations Committee is chaired by the Company's Chairman, Jeremy Pilkington, with the two non-executive directors also on the Committee.

The Nomination Committee meets as required to ensure that appointments to Board roles within the Group are made after due consideration of the relevant and necessary skills, knowledge and experience of the potential candidates.

In addition it considers succession planning in order to ensure the continued ability of the Group to compete effectively in the market place. The Group's policy on diversity is set out on pages 22 and 23 in the Strategic Report.

## Training and induction

All new directors receive a full, formal and tailored induction on joining the Board, including meetings with senior management and advisers and visits to the Group's operational locations.

During the year the Chairman and Non-Executive Directors met with and received presentations from members of the Group's senior management and engaged with the Group's businesses more generally.

Advice is available from the Company's solicitors, auditors and brokers if required. There is an agreed procedure for Directors to take independent professional advice at the Company's expense. Updates are provided on key technical issues as required including those relating to corporate governance.

# Governance

## Performance evaluation

The Board undertakes an annual appraisal of its performance. During 2019 an internal evaluation of Board performance was undertaken, whereby the Company's Directors were asked to rate various areas of board and committee activity and to raise any areas of concern and suggestions. No areas of material concern were highlighted during this year's review. A more structured review, which may involve the use of an external facilitator, will be undertaken during the financial year ended 31 March 2020.

## Annual Review

The Board retains overall responsibility for setting the Group's risk appetite as well as risk management and internal control systems.

A detailed report regarding the Group's systems of risk management and internal controls was prepared. Having reviewed and discussed this report the Board was satisfied that these systems are effective. The principal risks to which the Group is exposed and the measures to mitigate such risks are described on pages 18 to 21.

The respective responsibilities of the directors and the independent auditors in connection with the accounts are explained on pages 54 to 55 and the statement of the directors in respect of going concern appears on page 49. The long term viability statement is set out on page 18.

## Communications

The Company values communication with its shareholders and other stakeholders. In addition to regular corporate reporting, the Group website includes financial presentations, general information about the Group and the services it offers.

The executive directors present the financial results and also hold meetings with the Company's shareholders to discuss the Company's strategy and performance. The Chairman and Senior Independent Director are also available to meet with shareholders.

An investor relations update is provided at board meetings to ensure that the board is kept aware of the view of larger shareholders and the investment community generally.

The Board encourages all shareholders to attend and ask questions at the Annual General Meeting which is attended by all directors. The Board also actively encourages communication with employees and details of this are noted in the Directors' Report.

# Audit Committee Report

## STATEMENT FROM STEVE ROGERS, CHAIRMAN OF THE AUDIT COMMITTEE

I am pleased to present our Audit Committee report for the year ended 31 March 2019. The report below describes the Committee's ongoing responsibilities as well as the major activities undertaken in the year.

### MEMBERSHIP AND MEETINGS

Phil White and myself are members of the Committee. Although the Board considers that all members of the Committee have experience that is relevant to the role, as a Fellow of the Institute of Chartered Accountants in England and Wales, and a retired senior partner of PricewaterhouseCoopers, I am identified as the Committee member having recent and relevant financial experience.

There were three Committee meetings during the year, one to consider risk and two to coincide with the publication of the annual and interim results which were all attended by the Committee members, and by invitation the Chairman, Chief Executive, Group Finance Director and Head of Internal Audit. The Group Financial Controller and the external auditor were invited to and attended two of these meetings.

### RESPONSIBILITIES AND ACTIVITIES

The Audit Committee assists the Board in its oversight and monitoring of financial reporting, risk management and internal controls.

The principal responsibilities are:

- Review of the financial statements (half yearly and annual reports) and announcements relating to the financial performance of the Group;
- Provide an assessment to the Board on whether the financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy;
- Oversee the relationship with the external auditors, including the effectiveness of the external audit process, audit and non audit fees and independence and make recommendations to the Board on the appointment of the external auditors;
- Review the Group's internal financial controls and risk management systems and assess the effectiveness of those systems;
- Monitor and review the effectiveness of the internal audit function;
- Oversee the Group's policies and procedures for handling allegations from whistle blowers.

### SIGNIFICANT ACCOUNTING ISSUES

In respect of the year under review and as part of its role in reviewing estimates and judgements made by management, the following significant issues were reviewed and addressed.



Steve Rogers

### Existence and valuation of rental equipment

The Group holds a significant quantum and carrying amount of rental equipment in the normal course of its business. Management carry out fleet checks at interim and year end periods to confirm the existence of the rental fleet. There is management judgement involved in estimating the useful economic lives, residual values and any impairment of rental assets. Management annually review the appropriateness of useful lives and residual values assigned to rental equipment.

### Regulatory investigation

As mentioned in the Chairman's Statement the Competition and Market Authority issued a provisional determination that Vp and two other companies had acted in an uncompetitive manner in the market for certain elements of groundworks. As disclosed in note 4 on page 71 an exceptional cost of £4.5 million has been recorded at 31 March 2019.

### Fair balanced and understandable views

Having reviewed the Report and Accounts, the Committee concluded and advised the Board that in its view the Report and Accounts for 2019, taken as a whole, is fair, balanced and understandable. The Board then separately considered this matter and concurred with the Audit Committee's recommendation. In reaching this conclusion the Committee and the Board were satisfied that the Group's performance across its segments, as well as its business model, strategy and the key risks that it faces are clearly explained in the relevant sections of the Report and Accounts.

### New accounting standards

This was the first year in which accounts have been produced in compliance with IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". During the year the Committee was updated by the Group Finance Director on the steps taken to ensure compliance. In addition IFRS 16 "Leases" will be applicable from 1 April 2019. The Committee was also kept apprised of work being undertaken to achieve compliance and in accordance with the requirements of the standard an opening balance sheet adjustment is disclosed in note 1 on page 64.



# Audit Committee Report

## EXTERNAL AUDIT

The Committee keeps the scope, cost and effectiveness of the external audit under review. The Committee assessed the effectiveness of the external audit process during the year, based upon the Committee's interactions with the external auditors and through feedback from the Group Finance Team and Internal Audit. As a result the Committee has satisfied itself that PwC continue to provide an effective audit service to the Company and its subsidiaries and the Committee has made a recommendation to the Board that a resolution for the re-appointment of PwC be proposed at the AGM.

In addition and as part of its responsibility to ensure audit independence and objectivity, the Committee has adopted a policy in relation to the use of the auditors for the provision of non-audit services. Under the terms of this policy the provision of certain services are prohibited and include those listed below:

- Bookkeeping services
- Valuation services
- Investment advisory, broker and dealing services
- General management services
- Preparation of financial statements
- Design and implementation of financial systems
- Taxation services

Notwithstanding the general prohibition in respect of certain services, any other non-audit service to be provided by the auditors requires the approval of the Audit Committee should any potential for conflict exist. The split between audit and non-audit fees for 2018/19 appears in note 3 on page 70. Non-audit services for 2018/19 primarily relate to the review of the interim results.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Audit Committee has responsibility for reviewing risk management systems and the effectiveness of these systems. The responsibilities and processes in respect of risk management are described in detail on pages 18 and 19.

There is in place an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process is regularly reviewed by the Board. Risk management reports, prepared by the operating divisions supported by Internal Audit, were submitted to the Committee at its meeting in August 2018. The reports identified the significant risks to the Group, highlighted controls that mitigate the risks and the resultant post-mitigation risk. The Committee also considered the tolerance levels (risk appetite) that the Group is prepared to accept.

During the year the Committee monitored and reviewed the effectiveness of the Group's internal control systems, accounting policies and practices, risk management procedures and compliance controls.

The Group's internal control systems are designed to manage rather than eliminate business risk. They provide reasonable but not absolute assurance against material mis-statement or loss. Such systems are necessary to safeguard shareholders' investment and the Group's assets and depend on regular evaluation of the extent of the risks to which the Group is exposed.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group.

The Committee is of the view that the Group continues to operate a well-designed system of internal control.

## INTERNAL AUDIT

The Group's internal audit function comprises a team of four auditors. The purpose of the department is to support the business in its achievement of objectives and facilitate and aid effective risk management. Internal Audit provides assurance that the Group's process for managing internal control is effective and appropriate to the level of risk facing the Group.

During the year the Chairman of the Committee met privately with the Head of Internal Audit on two occasions to discuss the Internal Audit plan, completed projects, identified issues and resource levels. In addition the Head of Internal Audit attended each Committee meeting, where his reports were reviewed and discussed in detail. The Committee considered the results of the internal audits and the adequacy of management's response to matters raised in them, including the time taken to resolve any such matters. The Committee were satisfied with both the reports and the responses.

## WHISTLE BLOWING

The Group has a formal whistle blowing process, whereby any employee may contact nominated members of senior management to raise concerns they may have in complete anonymity. These concerns will then be investigated independently and the results shared with the whistle blower for further discussion if necessary. The Committee monitors the Group's whistleblowing policy. In the last financial year there have been no whistle blowing reports which require changes in the Group's control environment.

At the 2019 AGM, I shall be available to respond to any questions shareholders may raise on this report or on any of the Audit Committee's activities.

**Steve Rogers**  
**Chairman of the Audit Committee**  
**5 June 2019**



# Remuneration Committee Report Annual Statement

I am pleased to present the report of the Remuneration Committee for the year ended 31 March 2019 which consists of my Annual Statement which is set out immediately below and the Annual Report on Remuneration which follows on pages 34 to 45.

The Committee held two meetings in the year timed to ensure the proper discharge of the activities described below. The Group Chairman and the Group Chief Executive both attend these meetings, although they will not be present when discussion relates to their own remuneration.

## RESPONSIBILITIES AND ACTIVITIES

The Remuneration Committee is responsible for determining the overall policy for Executive remuneration which is then subject to Board and shareholder approval. Within the context of shareholder approved policy the Committee is then responsible for determining the specific remuneration packages for the executive directors. This incorporates review of salaries as well as determining opportunities under incentive plans and performance conditions relating to those plans. Activities also include the determination of terms for any executive leaving or joining the Board.

The Company's current remuneration policy was approved by shareholders in August 2017 and has operated during 2017/18 and 2018/19. A summary of the policy is included within the Annual Report on Remuneration.

The current remuneration policy will reach the end of its three year life on 31 March 2020. During the year the Committee will, therefore, be undertaking a review of current policy with a view to submitting a new policy to shareholders for approval and then to apply from 1st April 2020 onwards.

## ADVISORS, POLICY AND NEW CORPORATE GOVERNANCE CODE

The Remuneration Committee noted that the Revised Code, places a wider remit on Remuneration Committee and that the Remuneration Committee would need to decide how this impacts on its terms of reference and duties. Any changes the Remuneration Committee makes will also impact on its Remuneration Policy which enters into its final year and will need to be approved by shareholders in 2020. In light of this, the Remuneration Committee agreed that the review of the Revised Code and the Remuneration Policy should be carried out in 2019/2020 along with appointment of Remuneration advisors.



*Phil White*

Profit before taxation, amortisation and exceptional items at £46.8 million grew by 15% on the prior year. Therefore, given the level of profit growth achieved by the Group against the stretch targets, executive directors will qualify for bonuses of 94% of base salary, out of a maximum of 100%.

Our 2015 LTIP award vested in July 2018 at 100% of the total award reflecting the excellent EPS growth of the Group between 2015 to 2018. Again as a result of strong compound annual growth performance in EPS of 16% per annum between 2016 and 2019, our 2016 LTIP award is due to vest at 100% in July 2019.

## IMPLEMENTATION OF POLICY FOR 2019/20

A review of executive director's base salaries was carried out during the year. The increases effective from 1 April 2019 are set out on page 42. The annual bonus scheme for 2019/20 will operate in a similar manner to prior years, with financial targets linked to profitability. The maximum bonus opportunity is 100% of salary. The performance conditions for the 2019/20 LTIP awards will be consistent with 2018/19 policy and will be based upon achievement of target growth in EPS over a three year period and the achievement of a minimum ROACE. The policy allows for LTIP awards equating to 100% of base salary to be granted to executive directors in July 2019.

## CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee takes the views of the shareholders very seriously and these have been influential in shaping remuneration policy and practice. Shareholders views are considered when evaluating and setting on-going remuneration strategy and the Remuneration Committee commits to consulting with shareholders prior to any significant changes to the remuneration policy.

# Remuneration Committee Report Annual Statement

## EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

In setting the remuneration policy for Directors, the pay and conditions of other employees of Vp plc were taken into account, including any base salary increases awarded.

The Remuneration Committee has not expressly sought the views of employees and no remuneration comparison measurements were used when drawing up the policy. Through the Board, however, the Remuneration Committee is updated as to employee views on remuneration generally.

## ALIGNMENT WITH SHAREHOLDERS

We continue to be mindful of our shareholders' interests. Our share ownership guidelines and claw back provisions for the annual bonus and long term incentive scheme support an on-going commitment to the business from our executives and continued alignment of shareholder and executive objectives.

We are proud of the support we have received in the past from our shareholders, with 97.8% approval for our Annual Statement and Remuneration Report last year.

This report has been approved by the Board and is signed on its behalf by:

**Phil White**  
**Chairman Remuneration Committee**  
**5 June 2019**

# Annual Report on Remuneration

This report details how the Group's Remuneration Policy for directors was implemented during the financial year ended 31 March 2019.

This has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

An advisory resolution to approve this report and the Annual Statement will be put to shareholders at the forthcoming Annual General meeting.

## POLICY OVERVIEW

The Group aims to balance the need to attract, retain and motivate executive directors of an appropriate calibre with the need to be cost effective, whilst at the same time rewarding exceptional performance. The Committee has designed a remuneration policy that balances those factors, taking account of prevailing best practice, investor expectations and the level of remuneration and pay awards made generally to employees of the Group.

## SUMMARY REMUNERATION POLICY

The table below summarises the directors' Remuneration Policy approved at the 2017 AGM. No changes are proposed.

ELEMENT	PURPOSE AND LINK TO THE STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Base salary	To attract, retain and motivate individuals with skills and experience required to deliver the strategy. To provide a competitive fixed reward.	Base salaries are reviewed annually, and any changes are effective from 1 April in the financial year.	There is no prescribed maximum annual increase. The Committee also considers average increases across the Group. Current salary levels are set out on page 42.	None.
Pension	To provide retirement benefits.	All executives are either members of a defined contribution scheme or receive a cash allowance in lieu of pension contribution.	The executive chairman receives a cash equivalent pension contribution of 25% of salary, benefits and bonus. Other executive directors receive a pension contribution ranging between 15% and 17.5% of base salary or an equivalent cash allowance.	None.
Taxable Benefits	To provide market consistent benefits.	Cost of providing benefits paid monthly or as required for one off events.	Car allowance, health insurance and other benefits paid from time to time.	None.

# Directors' Remuneration Policy (unaudited)

ELEMENT	PURPOSE AND LINK TO THE STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
<b>Annual Bonus</b>	To incentivise achievement of demanding performance targets.	Annual bonuses are generally paid three months after the end of the financial year to which they relate.  Clawback provisions apply in the event of a material misstatement of the results.	Up to 100% of base salary.	Growth in profit before tax, amortisation and exceptional items.
<b>Long Term Incentive Plan</b>	To drive sustained long term performance that supports the creation of shareholder value.	Annual grant of nil cost options which normally vest after 3 years based on the achievement of profit targets, a minimum ROACE requirement and continual service.  Clawback provisions apply in the event of a material misstatement of the results.	Normal grant limit of 100% of base salary.	Subject to a vesting period of three years and the achievement of target growth in EPS over a three year period.  Minimum ROACE requirement, currently set at 12%.
<b>Share Matching Scheme</b>	To encourage share ownership and alignment with shareholders.	Annual grant of nil cost options in proportion to the number of shares purchased by an executive director from their own funds.  Clawback provisions apply in the event of a material misstatement of the results.	Maximum award of shares to the value of 10% of salary.	Achievement of target growth in EPS over a three year period and a minimum ROACE, currently set at 12%.
<b>Save As You Earn</b>	To encourage share participation in the entire workforce.	HMRC approved plan under which regular monthly savings are made over a 3 year period and can be used to fund the exercise of an option whereby the exercise price is discounted by up to 20%.	Maximum permitted savings of £300 per month across all ongoing share save contracts in line with current legislation.	None.
<b>Share Ownership Guidelines</b>	To increase alignment between executives and shareholders.	Shareholding to be built up over 5 years.	100% of salary for executive directors.	None.
<b>Non-Executive Director Fees</b>	Reflects time commitments and responsibilities and fees paid by similar sized companies.	Cash fees paid, reviewed on an annual basis.	No prescribed maximum annual increase.	None.

## Notes to the policy table

The performance targets are determined annually by the Committee and are set at a challenging level. The Committee is of the opinion that the performance targets for the annual bonus and the long term incentive are commercially sensitive and that it would be detrimental to the interests of the Group to disclose them before the start of the financial year. The targets will be disclosed after the end of the relevant financial year in that year's remuneration report.

# Directors' Remuneration Policy (unaudited)

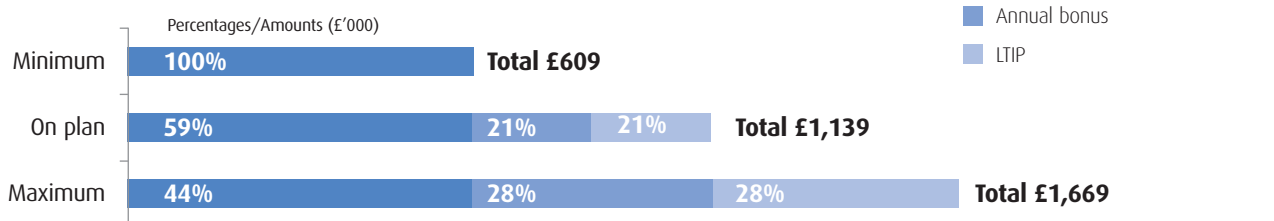
## CHANGES TO REMUNERATION POLICY

There have been no changes to the remuneration policy from that operating since 2014/15.

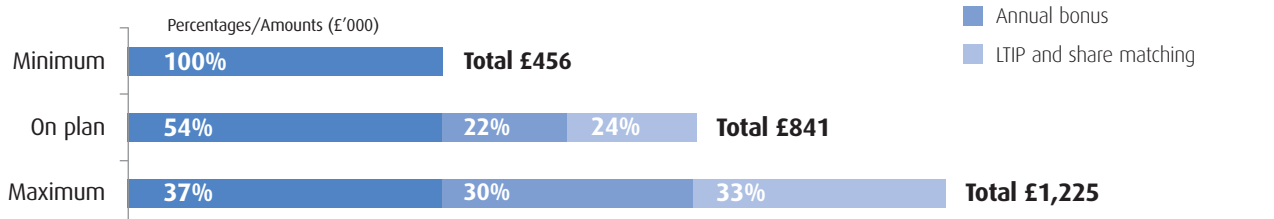
## ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The chart below illustrates the total remuneration for each executive director that could result from the proposed remuneration policy in 2019/20 under three different performance scenarios.

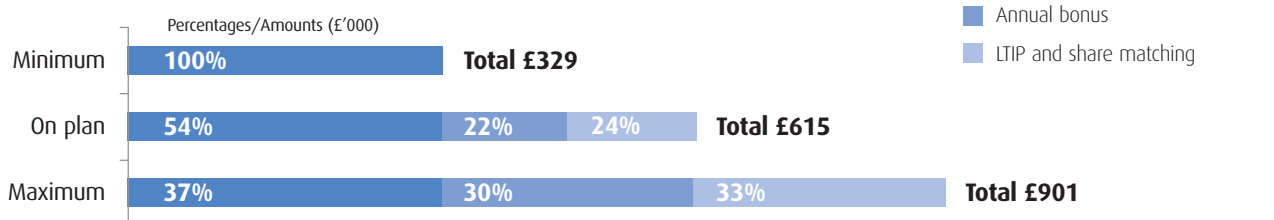
### Jeremy Pilkington



### Neil Stothard



### Allison Bainbridge



The value of base salary for 2019/20 is set out in the Base Salary table on page 42.

The value of taxable benefits in 2019/20 is taken to be the value of taxable benefits received in 2018/19 as shown in the single total figure of remuneration table set out on page 39. On plan performance assumes bonus payout of 50% of salary and LTIP and share matching scheme vesting at 50% of maximum award. Maximum performance assumes 100% payout of all incentives. Share price appreciation has not been included in the calculation.

# Directors' Remuneration Policy (unaudited)

## CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

Our approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies.

Most employees are eligible to participate in an annual bonus scheme. The maximum opportunities available are based upon the seniority and responsibility of the role with business area specific metrics incorporated where appropriate.

Senior managers can qualify to participate in the LTIP and share matching schemes. Performance conditions are consistent for all participants, while award sizes vary by organisational level.

Employees can qualify to participate in approved and unapproved share option schemes whereby they are granted rights to acquire shares at a predetermined price, which cannot be less than the midmarket price on the dealing day immediately before the date of the award. Awards under these schemes are not granted to executive directors.

All UK employees are eligible to participate in the Company's SAYE scheme on the same terms.

## APPROACH TO RECRUITMENT

The Group operates in a highly competitive market. The Committee's approach to remuneration on recruitment is to pay sufficient to attract appropriate candidates to the role.

The package of a new executive director is likely to include the same elements, and be subject to similar constraints as those of existing executive directors.

The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer on a like-for-like basis. In doing so, the Committee will consider relevant factors including time to vesting, any performance conditions attached to these awards and the likelihood of those conditions being met. Any such 'buy-out' awards will typically be made under existing annual bonus and LTIP schemes, although in exceptional circumstances the Committee may exercise discretion under Listing Rule 9.4.2R to make awards using a different structure. Any 'buy-out' awards would have a fair value no higher than the awards forfeited.

# Directors' Remuneration Policy (unaudited)

## DATE OF DIRECTORS' SERVICE CONTRACTS OR LETTER OF APPOINTMENT

Director	Date of service contract/letter of appointment
Jeremy Pilkington	10 June 2002
Neil Stothard	10 June 2002
Allison Bainbridge	15 February 2011
Steve Rogers	10 September 2008
Phil White	15 April 2013

The service agreements of the executive directors are terminable by either the Company or the director on twelve months' notice. The contracts contain no specific provision for compensation for loss of office, other than an obligation to pay salary and benefits for any notice period waived by the company. Non-executive directors are appointed under letters of appointment that may be terminated on six months notice. There were no other significant contracts with directors.

The terms and conditions of appointment of non-executive directors are available for inspection by any person at the Company's registered office during normal business hours and at the AGM.

## APPROACH TO LEAVERS

The Company's policy is to limit severance payments on termination to pre-established contractual arrangements. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company, where pay is defined as salary plus benefits only.

In the event an executive leaves for any reason, non vested LTIP and share matching awards will normally lapse.

The Committee retains discretion to alter these provisions on a case-by-case basis following a review of circumstances and to ensure fairness for both shareholders and participants.

## CONSIDERATION OF SHAREHOLDER VIEWS

The Committee considers shareholder feedback received at the AGM each year. This feedback, plus any feedback received during other meetings, is then considered as part of the Group's annual review of remuneration policy.

In addition, the Committee will seek to engage directly with major shareholders and their respective bodies should any material changes be made to the remuneration policy.

Details of votes cast for and against the resolution to approve last year's remuneration report are set out on page 45 of the annual report on remuneration.



# Annual Report on Remuneration

## SINGLE TOTAL FIGURE OF REMUNERATION (audited)

The following table shows a single total figure of remuneration for the year ended 31 March 2019 together with the comparative figures for 2018.

		Salaries and fees	Taxable benefits	Pensions	Annual bonus	LTIP	Share matching	Total
		£000	£000	£000	£000	£000	£000	£000
<b>Executive directors</b>								
Jeremy Pilkington	2019	471	16	232	442	609	-	1,770
	2018	471	35	194	271	527	-	1,498
Neil Stothard	2019	359	26	62	336	443	44	1,270
	2018	352	26	62	197	376	38	1,051
Allison Bainbridge	2019	267	16	39	250	329	33	934
	2018	261	17	39	147	272	28	764
<b>Non-executive directors</b>								
Steve Rogers	2019	40	-	-	-	-	-	40
	2018	40	-	-	-	-	-	40
Phil White	2019	40	-	-	-	-	-	40
	2018	40	-	-	-	-	-	40

## TAXABLE BENEFITS

Taxable benefits consist primarily of company car or car allowance and private health care insurance.

## PENSION BENEFITS

Neil Stothard received 17.5% of base salary and Allison Bainbridge received 15% of base salary in lieu of pension contributions. Jeremy Pilkington received 25% of salary, bonus and benefits in lieu of pension contributions.

## ANNUAL BONUS PAYMENTS

The annual bonus outturn presented in the table was based on performance against growth in Group profit before tax and amortisation targets as measured over the 2019 financial year.

	Maximum (% of salary)	Growth in PBTA required for threshold bonus	Growth in PBTA required for maximum bonus	Actual growth in PBTA	Actual % of salary	Actual bonus £000
	%	%	%	%	%	£000
Jeremy Pilkington	100	6	16	15	94	442
Neil Stothard	100	6	16	15	94	336
Allison Bainbridge	100	6	16	15	94	250

No changes have been made to the maximum opportunity available under the 2019/20 bonus scheme.

# Annual Report on Remuneration

## VESTING OF LTIP AND SHARE MATCHING AWARDS (audited)

The LTIP and share matching amount included in the 2018/19 single total figure of remuneration is in respect of the conditional share award granted in July 2016. Vesting is dependent on earnings per share performance over the three years ended 31 March 2019, achievement of a minimum return on average capital employed of 12% and continued service until July 2019.

The performance targets for this award, and actual performance against those targets, was as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual	% Vesting
Earnings per share*	Normalised EPS compound annual growth rate of 4% pa (0% vesting) 11% pa (100% vesting) actual 16% pa	66.7 pence EPS	81.7 pence EPS	95.14 pence EPS	100
ROACE	Minimum of 12.0%	12.0%	N/A	14.5%	See above

\*EPS is measured on a net basis, in accordance with International Financial Reporting Standards, but assuming a fixed corporation tax charge on profits currently at the rate of 20% and excluding any amortisation and exceptional items shown on the face of the Income Statement or in the notes to the Company's accounts and utilising the whole of the issued ordinary share capital of the Company, assuming a constant level of issued Ordinary Share Capital over the three years, in this case 40.154 million shares.

Return on average capital employed is calculated by dividing the profit before tax, interest, amortisation and exceptional items by the aggregate of average net assets and average net debt consistent with those shown in the management accounts of the Company for the relevant financial year.

The LTIP award details for the executive directors are as follows:

	Number of shares at grant	Number of shares to vest	Estimated value of shares vesting*
			£000
Jeremy Pilkington	71,700	71,700	609
Neil Stothard	52,200	52,200	443
Allison Bainbridge	38,800	38,800	329

\*The award of the LTIP above was based upon the policy of awarding up to an equivalent of 100% of salary. The share price at the time of the award was £6.57. As the awards have not yet vested the weighted average share price for the three months to 21 May 2019 of £8.49 has been used to estimate the value at vesting.

The share matching awards for executive directors are as follows:

	Number of shares at grant	Number of shares to vest	Estimated value of shares vesting*
			£000
Jeremy Pilkington	N/A	N/A	N/A
Neil Stothard	5,200	5,200	44
Allison Bainbridge	3,900	3,900	33

\*As the awards have not yet vested the weighted average share price for the three months to 21 May 2019 of £8.49 has been used to estimate the value at vesting.

# Annual Report on Remuneration

## SHARE SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (audited)

The following awards were granted to executive directors:

Executive	Scheme	Basis of award granted	Date of grant	Share price at date of grant £	Number of shares	Face value £000	Performance Period end date
<b>Jeremy Pilkington</b>							
	LTIP	100% of salary	4 July 2018	10.80	43,600	471	31 March 2021
<b>Neil Stothard</b>							
	LTIP	100% of salary	4 July 2018	10.80	33,200	359	31 March 2021
	SAYE	N/A	13 July 2018	10.10	445	4	N/A
<b>Allison Bainbridge</b>							
	LTIP	100% of salary	4 July 2018	10.80	24,700	267	31 March 2021

The share price at the date of grant has been used to calculate the face value of the awards granted.

## PAYMENTS TO PAST DIRECTORS AND FOR LOSS OF OFFICE

No payments were made to past directors or for loss of office in the year ended 31 March 2019.

## OUTSTANDING SHARE AWARDS (audited)

The table below sets out details of unvested share awards held by executive directors. Details of vested awards are shown in the statement of directors' shareholdings and share interests on page 42.

Executive	Scheme	Grant date	Exercise price £	No. of shares at 31 Mar 2018	Granted during the year	Vested during the year	Lapsed during the year	No. of shares at 31 Mar 2019	Exercise period	End of performance period
<b>Jeremy Pilkington</b>										
	Total LTIP	Various	Nil	186,900	43,600	61,100	-	169,400	July 2019 to July 2028	31 Mar 2019 to 31 Mar 2021
<b>Neil Stothard</b>										
	Total LTIP	Various	Nil	136,200	33,200	43,600	-	125,800	July 2019 to July 2028	31 Mar 2019 to 31 Mar 2021
	Total Share Matching	Various	Nil	9,600	-	4,400	-	5,200	July 2019 to July 2028	31 Mar 2019 to 31 Mar 2021
	SAYE	2015	6.20	580	-	580	-	-		N/A
	SAYE	2016	6.00	600	-	-	-	600	October 2019 to March 2020	N/A
	SAYE	2017	6.96	517	-	-	-	517	October 2020 to March 2021	N/A
	SAYE	2018	8.08	-	445	-	-	445	October 2021 to March 2022	N/A
	<b>Total SAYE</b>			<b>1,697</b>	<b>445</b>	<b>580</b>	<b>-</b>	<b>1,562</b>		
<b>Allison Bainbridge</b>										
	Total LTIP	Various	Nil	100,400	24,700	31,600	-	93,500	July 2019 to July 2028	31 Mar 2019 to 31 Mar 2021
	Total Share Matching	Various	Nil	7,100	-	3,200	-	3,900	July 2019 to July 2028	31 Mar 2019 to 31 Mar 2021
	SAYE	2015	6.20	580	-	580	-	-		N/A
	SAYE	2016	6.00	600	-	-	-	600	October 2019 to March 2020	N/A
	SAYE	2017	6.96	517	-	-	-	517	October 2020 to March 2021	N/A
	<b>Total SAYE</b>			<b>1,697</b>	<b>-</b>	<b>580</b>	<b>-</b>	<b>1,117</b>		

# Annual Report on Remuneration

## STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS (audited)

Executive	Shareholding as % of salary at 31 Mar 2019	Shares beneficially owned at 31 Mar 2019	Shares beneficially owned at 31 Mar 2018	Options vested but not yet exercised 31 Mar 2019	Options vested but not yet exercised 31 Mar 2018	Unvested LTIP awards <sup>1</sup>	Unvested share matching awards <sup>1</sup>	Outstanding SAYE awards
Jeremy Pilkington	*	29,220	29,220	129,300	68,200	169,400	-	-
Neil Stothard	2,309%	790,164	789,584	101,700	53,700	125,800	5,200	1,562
Allison Bainbridge	266%	67,550	66,970	73,600	38,800	93,500	3,900	1,117
Steve Rogers	-	-	-	-	-	-	-	-
Phil White	-	-	-	-	-	-	-	-

### <sup>1</sup> Unvested LTIP and share matching awards are subject to performance conditions

The share price used to calculate the value of shares beneficially owned for the purposes of establishing shareholding as a percentage of salary is the share price as at 31 March 2019: £10.50.

\*During the year Jeremy Pilkington was interested in shares owned by Ackers P Investment Company Limited. This company is ultimately controlled by a number of trusts of which, for the purposes of Sections 252 to 255 of the Companies Act 2006, Jeremy Pilkington is deemed to be a connected person. As at 31 March 2019 Ackers P Investment Company Limited owned 20,181,411 shares (2018: 20,181,411 shares).

The LTIP awards outstanding in respect of Jeremy Pilkington are notional shares which would be settled by a cash payment.

The executive directors are each in compliance with the Company's requirements to hold shares equivalent to at least 100% of salary.

There were no changes in the interests of the directors between 31 March 2019 and 5 June 2019.

## IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE YEAR ENDING 31 MARCH 2020 (unaudited)

A summary of how the directors' remuneration policy will be applied during the year ended 31 March 2020 is set out below.

### BASE SALARY

The Committee approved a 2.0% increase in base salary for Neil Stothard and Allison Bainbridge from 1 April 2018 and the following base salary increases with effect from 1 April 2019:

	2020 £000	2019 £000	% increase
Jeremy Pilkington	471	471	0.0%
Neil Stothard	366	359	2.0%
Allison Bainbridge	272	267	2.0%
Steve Rogers	45	40	12.5%
Phil White	45	40	12.5%

A salary increase averaging 2.2% across the Group was awarded at the annual pay review, effective from 1 April 2019.

During the year Neil Stothard served as a non-executive director of Wykeland Group and received £17,000 for his services.

During the year Allison Bainbridge served as non-executive director of RPS Group Plc and received £55,000 for her services.

# Annual Report on Remuneration

## IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE YEAR ENDING 31 MARCH 2020 (unaudited) – continued

### PENSION ARRANGEMENTS

There are no proposed changes to pension arrangements for the executive directors.

### ANNUAL BONUS

The maximum bonus potential for the year ending 31 March 2020 will remain at 100% of salary for all executive directors. Awards will be based upon the achievement of a challenging growth target in profit before tax, amortisation and exceptional items.

The Committee is of the opinion that the performance targets for the annual bonus and long term incentive are commercially sensitive and that it would be detrimental to the interests of the Group to disclose them before the start of the financial year. The targets will be disclosed after the end of the relevant financial year in that year's remuneration report.

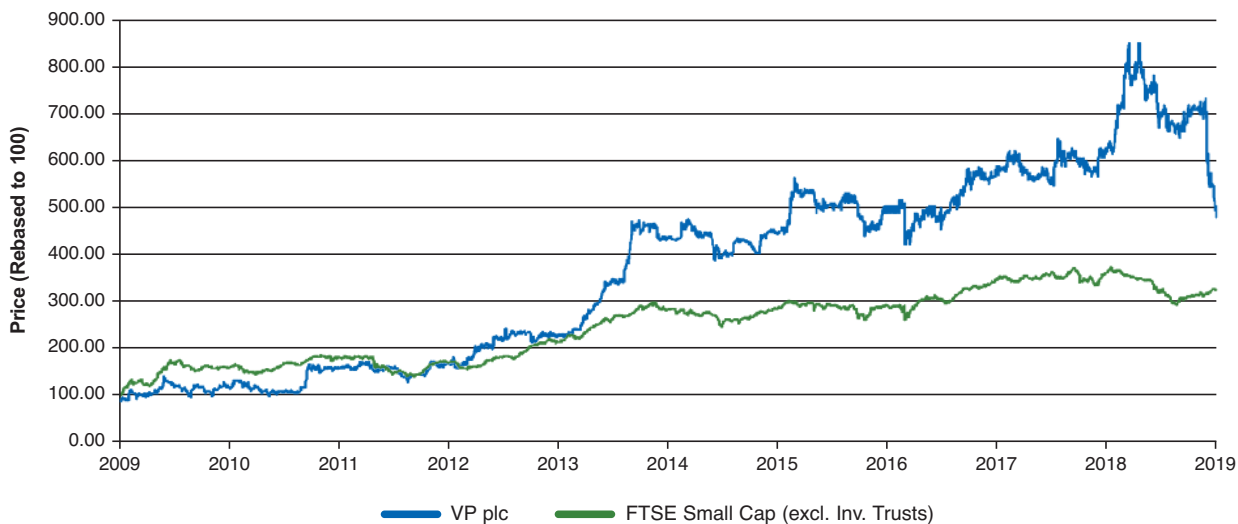
### LONG TERM INCENTIVES

Consistent with past awards the extent to which any LTIP awards granted in 2019 will vest will be dependent upon the achievement of a challenging target growth in the Group's earnings per share.

Clawback provisions in the event of significant misstatement of the results will apply to both the annual bonus and the long term incentive.

### PERFORMANCE GRAPH AND TABLE (unaudited)

The following graph charts the Total Shareholder Return of the Group and the FTSE Small Cap Index over the ten year period from 1 April 2009 to 31 March 2019.



The FTSE Small Cap index excluding investment trusts is regarded as an appropriate bench mark for the Group's shareholders. Total shareholder return is defined as the total return a shareholder would receive over the period inclusive of both share price growth and dividends.

# Annual Report on Remuneration

## PERFORMANCE GRAPH AND TABLE (unaudited) – continued

The total remuneration and award rates of the Executive Chairman across the same period were as follows:

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Single figure (£000)	1,080	1,919	1,795	2,042	2,259	1,613	1,580	1,498	1,770
Annual bonus % of maximum	100%	100%	84%	52%	100%	27%	72%	57%	94%
LTIP vesting % of maximum	44.6%	82%	95.1%	100%	100%	100%	100%	100%	100%

## PERCENTAGE CHANGE IN EXECUTIVE CHAIRMAN'S REMUNERATION (unaudited)

The table below shows the percentage change in the Executive Chairman's salary, benefits and annual bonus between the financial year ended 31 March 2018 and 31 March 2019 compared to the percentage change for UK employees of the Group for each of these elements of pay.

	Jeremy Pilkington			UK employees
	2018	2019	% change	% change
	£000	£000		
Salary	471	471	0%	4%
Taxable Benefits	35	16	(54)%	16%
Annual Bonus	339*	271*	(20)%	(32)%

The percentage change for UK employees is based upon a consistent set of employees and is calculated using P60 and P11D data.

\*To be comparable to the data for the UK employees the annual bonus for Jeremy Pilkington disclosed above is the bonus paid in the relevant tax year.

## RELATIVE IMPORTANCE OF SPEND ON PAY (unaudited)

The following table shows the Group's actual spend on pay (for all employees) relative to dividends.

		2018	2019	% change
Staff costs	£m	101.2	124.6	23
Dividends	£m	10.3	12.0	16

Dividend figures relate to amounts payable in respect of the relevant financial year and includes proposed final dividend of 22.00 pence.

# Annual Report on Remuneration

## REMUNERATION COMMITTEE (unaudited)

The Group's approach to executive directors' remuneration is determined by the Board on the advice of the Remuneration Committee.

The primary role of the Committee is to:

- Review, recommend and monitor the level and structure of remuneration for executive directors;
- Approve the remuneration packages for executive directors;
- Determine the balance between base pay and performance related elements of the package so as to align directors' interests to those of shareholders.

The Committee's terms of reference are set out on the Company's website.

The members of the Remuneration Committee, all independent non-executive directors, during the year under review were as follows:

- Phil White
- Steve Rogers

Biographical information on Committee members and details of attendance at the Committee meetings during the year are set out on pages 25 and 28. The Remuneration Committee has access to independent advice where it considers appropriate. No advice has been sought during 2018/19.

## STATEMENT OF VOTING AT GENERAL MEETING

At the last AGM held on 2 August 2018 the voting results in respect of the Remuneration Report Annual Statement and the Annual Report on Remuneration were as follows:

	Remuneration Report	
Votes cast in favour	30,822,723	97.9%
Votes cast against	659,472	2.1%
Total votes cast	31,482,195	100%
Abstentions	379,815	

# Directors' Report

The directors of Vp plc present their annual report and the audited financial statements of the Group and Parent Company for the year ended 31 March 2019.

## PRINCIPAL ACTIVITIES

The principal activity of the Group is equipment rental and associated services.

## STRATEGIC REPORT

Pursuant to Sections 414 A – D Companies Act 2006, the business review has been replaced with a strategic report, which can be found on pages 2 to 24.

## RESULTS AND DIVIDEND

Group profit after tax for the year was £25.8 million (2018: £24.4 million). The directors recommend a final dividend of 22.00 pence per share.

The final dividend will be paid on 8 August 2019 to all shareholders on the register as at 28 June 2019.

## DIRECTORS

Details of the directors of the Company who were in office during the year and up to the date of signing the financial statements are given on page 25. Details of directors' interests in shares are provided in the Directors' Remuneration Report on page 42. The directors' exposures to conduct and liability issues are mitigated by Directors and Officers insurance cover where applicable during the financial year.

## SHARE CAPITAL

Details of the Company's share capital structure are shown in note 19 to the accounts. All shares have the same voting rights. There are no restrictions on the transfer of shares in the Company or restrictions on voting rights.

## SUBSTANTIAL SHAREHOLDERS

As at 5 June 2019 the following had notified the Company of an interest of 3% or more in the Company's issued ordinary share capital.

	Number of Ordinary Shares	Percentage of Issued Ordinary Shares
		%
Ackers P Investment Company Limited	20,181,411	50.26
Schroders plc	1,867,260	4.65
Discretionary Unit Fund Managers Limited	1,800,000	4.48
Canaccord Genuity Group Inc.	1,589,483	3.96
J P Morgan Chase & Co.	1,511,245	3.76
Invesco Asset Management Ltd.	1,472,399	3.67

Jeremy Pilkington is a director of Ackers P Investment Company Limited which is the holding company of Vp plc.

## FINANCIAL RISK MANAGEMENT

Consideration of the financial risk management of the Group has been included in the Strategic Report on pages 18 to 21.

## OVERSEAS BRANCH

The Group has one operating branch of a UK registered company operating in another country within the EU, namely a branch of Hire Station Limited operating in the Netherlands.





# Directors' Report

## DISCLOSURE OF INFORMATION UNDER LISTING RULE 9.8.4.

The directors confirm that the company has entered into a relationship agreement with Ackers P Investment Company Limited (a controlling shareholder) and has complied with the independence provisions of the agreement. As far as the directors are aware, the controlling shareholder and its associates have also complied with the independence provision.

Pursuant to listing rule 9.8.4C the Company is required to disclose that an arrangement is in place whereby the trustee of the Company employee benefit trust has agreed to waive present and future dividend rights in respect of certain shares that it holds.

## EMPLOYEES

The directors are committed to maintaining effective communication with employees on matters which affect their occupations and future prospects while at the same time increasing their awareness of the Group's overall activities and performance. This communication takes the form of comprehensive team briefings to all employees together with regular Group and divisional newsletters.

It is the policy of the Group to employ and train disabled people whenever their skills and qualifications allow and suitable vacancies are available. If existing employees become disabled, every effort is made to find them appropriate work and training is provided if necessary.

Further details regarding employees are provided in the Corporate Social Responsibility Report on pages 22 to 24.

## POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political contributions during the year. Donations to charities amounted to £29,000 (2018: £27,000). The donations made in the year principally relate to sponsorship of employee driven fund raising activities on behalf of local and national charities.

## SUPPLIER PAYMENT POLICY

It is the Company's policy to make payment to suppliers on agreed terms. The Company seeks to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The number of days purchases outstanding at 31 March 2019 was 31 days (2018: 28 days). This figure fluctuates dependent on the creditor position for fleet purchases at the year end compared to the average purchases during the year.

## TAXATION PRINCIPLES

We operate in accordance with our Tax Principles, which can be found at: [www.vpplc.com](http://www.vpplc.com)

In 2018/19 the Group paid £8.0 million in corporate taxes. We are a responsible corporate tax payer and conduct our affairs to ensure compliance with all laws and relevant regulations in the countries in which we operate.

## CONTRACTS

There are no disclosures required under S417 of the Companies Act in relation to contractual or other arrangements with customers or suppliers.

# Directors' Report

## PURCHASE OF OWN SHARES

A resolution is to be proposed to the Company's shareholders at the AGM to authorise the Company to purchase its own shares up to a maximum of 10% of the Company's issued share capital either to be cancelled or retained as treasury shares. This resolution will be proposed as a special resolution. The maximum and minimum prices that may be paid for an Ordinary Share in exercise of such powers is set out in Resolution 11(b) and 11(c) of the Notice of Meeting. The directors undertake to shareholders that they will only exercise this power after careful consideration, taking into account the financial resources of the Company, future funding opportunities and the price of the Company's shares. The directors will not exercise the ability to purchase the Company's own shares unless to do so would result in an increase in earnings per share and would be in the best interest of shareholders generally.

During the year ended 31 March 2019 the Company did not acquire any shares under the authority of the resolution passed at the Annual General Meeting.

## GOING CONCERN

The Business Review on pages 11 to 14 sets out the Group's business activities, markets and outlook for the forthcoming year and beyond. This is supported by the Financial Review on pages 15 to 17 which sets out the Group's current financial position, including its cashflows, net debt and borrowing facilities and also outlines the Group's treasury management objectives, policies and processes. It is also supported by the Viability Statement on page 18.

Notes 15 and 16 ('Interest Bearing Loans and Borrowings' and 'Financial Instruments') to the financial statements give further information on the Group's borrowings, financial instruments and liquidity risk.

The Group is in a healthy financial position. At the year end the Group had total banking facilities of £207.5 million which are subject to bank covenant testing. The Group has a £65 million Revolving Credit Facility which is due to mature in May 2020 (just within the twelve month look forward period), the Group Finance Director is working with the banks to ensure that this facility will be replaced in a timely manner and at the date of these accounts the Board has no reason to believe that this will not be the case.

The Board has evaluated the facilities and covenants on the basis of the budget for 2019/20 (including 2020/21 long term forecast) which has been prepared taking into account the current economic climate, together with appropriate sensitivity analysis. On the basis of this testing the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis has been adopted in the preparation of the financial statements.

## CORPORATE GOVERNANCE

The Corporate Governance Statement on pages 26 to 29 forms part of the Directors' Report.

## INDEPENDENT AUDITORS

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**Allison Bainbridge**  
**Company Secretary**  
**5 June 2019**

# Statement of Directors' Responsibilities

## IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group and the Parent Company for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IFRSs as adopted by the European Union have been followed for the Group and the Parent Company, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

Each of the directors whose names and functions appear on page 25 confirm that to the best of their knowledge:

- The Group and Parent Company financial statements which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Parent Company; and
- The Business Review and Financial Review include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that they face.

In the case of each director in office at the date of the Directors' Report is approved:

- So far as the director is aware, there is no relevant audit information of which the Group and Parent Company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Parent Company's auditors are aware of that information.

# Independent Auditors' Report

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Vp plc Report on the audit of the financial statements

### Opinion

In our opinion, Vp plc's group financial statements and parent company financial statements (the "financial statements"):

- Give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and parent company balance sheets as at 31 March 2019; the consolidated income statement and statements of comprehensive income, the consolidated and parent company statements of cash flows, and the consolidated and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence


We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the group or the parent company in the period from 1 April 2018 to 31 March 2019.

### Our audit approach

#### Overview

	<ul style="list-style-type: none"> <li>• Overall group materiality: £2.3 million (2018: £1.9 million), based on 5% of profit before tax, amortisation and exceptionals.</li> <li>• Overall parent company materiality: £794,000 (2018: £652,000) based on 5% of profit before tax, amortisation and exceptionals.</li> </ul>
	<ul style="list-style-type: none"> <li>• The group audit team performed an audit of the complete financial information of the four financially significant reporting units within the group.</li> <li>• The reporting units over which we performed audit procedures accounted for over 91% of the group's external revenues and 94% of the group's profit before tax, amortisation and exceptionals.</li> </ul>
	<ul style="list-style-type: none"> <li>• Existence of rental equipment (group and parent).</li> <li>• Valuation of rental equipment (group and parent).</li> <li>• Provision in respect of Competition and Markets Authority (CMA) investigation (group and parent).</li> </ul>

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.



# Independent Auditors' Report

## Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with competition law and the Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to deliberate manipulation of results via improper revenue recognition, misappropriation of assets, management bias in key accounting estimates and posting of inappropriate journal entries to improve the group's result for the period. Our work in respect of potential non-compliance with competition law is described in the Key audit matters section below. Other audit procedures performed by the group engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly in relation to valuation of assets;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by unexpected users. Specifically we tested journal entries which increased the group result for the period with unusual offset entries, and we tested a risk based sample of journal entries impacting cash with unusual offset entries to detect any potentially fraudulent cash extraction from the business; and
- Review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators and review of correspondence with legal advisors

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Existence of rental equipment</b></p> <p>Refer to page 30 (Significant accounting issues) and note 9 in the financial statements.</p> <p>We focused on this area because the group holds a significant quantum and carrying amount of rental equipment in the normal course of its business. The net book value of rental equipment was £220.0 million as at 31 March 2019 (2018: £211.9 million). Given the volume of assets and the frequency of movement (through purchases, hires and sales) there is the potential for assets to go missing. This results in complexity in maintaining an accurate fixed asset register.</p> <p>Group and parent</p>	<p>Our audit work in respect of the existence of rental equipment included understanding and evaluating management's key controls in this area, checking the correct recording of rental asset movements on the fixed asset register on a sample basis and substantively testing the existence of a sample of assets.</p> <p>For a sample of rental equipment purchases in the year we agreed to invoice and capitalisation onto the fixed asset register, checking the value and the useful economic life applied.</p> <p>We agreed a sample of rental equipment out on hire to invoice and delivery notes. We did not identify any material exceptions from this work.</p> <p>We attended a sample of year end rental equipment counts and:</p> <ul style="list-style-type: none"> <li>- considered the design and effectiveness of count controls by understanding and observing the count procedures; and</li> <li>- counted a sample of assets and reconciled these to both management's count and the fixed asset register.</li> </ul> <p>Our testing did not identify rental equipment that was on the fixed asset register but neither on hire to customers nor in the group's possession at the year end.</p> <p>For a sample of revenue resulting from the hire of rental equipment to customers we have agreed to sales invoice and either a despatch note or cash receipt which provides us with evidence of existence over the underlying asset.</p>

# Independent Auditors' Report

## Key audit matters (continued)

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Valuation of rental equipment</b></p> <p>Refer to page 30 (Significant accounting issues), page 69 (Significant accounting policies) and note 9 in the financial statements.</p> <p>We focused on this area because there is significant management judgement involved in estimating the useful economic lives, residual values and any impairment of the rental assets.</p> <p>The utilisation of rental equipment is key to supporting its valuation, so if there were a downturn in the trading performance in a particular market or reporting unit, this would present an inherent impairment risk.</p> <p>Group and parent</p>	<p>Our audit work in respect of the valuation of rental equipment comprised an assessment of the accuracy of estimates made by management in previous years, testing of utilisation statistics, integrity checks over the underlying fixed asset data and budgeted trading performance to determine the appropriateness of management's estimates.</p> <p>We tested the appropriateness of the useful economic lives and estimated residual values applied on a sample basis through consideration of any profits/losses on disposal of rental equipment and the level of fully written down assets still generating revenue, noting no evidence of systematic over-or under-depreciation of the assets.</p> <p>We tested the integrity of the data held within the fixed asset registers, given the reliance upon this information for our impairment analysis. This comprised scanning the entire population of assets for inappropriate entries (such as assets with a useful economic life inconsistent with the type of asset) or evidence that the useful economic life assigned is not being applied correctly in the fixed asset register. We did not identify any material exceptions from this work.</p>
<p><b>Provision in respect of Competition and Markets Authority (CMA) investigation</b></p> <p>Refer to page 30 (Significant accounting issues), page 69 (Significant accounting policies) and notes 4 and 17 in the financial statements.</p> <p>On 9 April 2019 the CMA issued a Statement of Objections (SO) that provisionally found that the group and two competitors formed a cartel to reduce competition and keep prices up. The CMA allege this involved sharing confidential information on pricing and commercial strategy and coordinating their commercial activities for periods totalling nearly two years. The CMA's findings are, at this stage, provisional and do not necessarily lead to a decision that the companies have breached competition law. The group now have the opportunity to consider the detail of the CMA's provisional findings and respond to them. The CMA will carefully consider any representations made before issuing its final findings as to whether the law has been broken. Should the CMA's final findings be that the law has been broken the group is likely to be subject to a financial penalty.</p> <p>The directors have considered the accounting implications together with their external legal advisors in relation to the investigation and have provided £4.5 million at 31 March 2019 as an exceptional estimated cost. This represents the mid point of a range of possible outcomes estimated and disclosed of between nil and £9.0 million.</p> <p>Arriving at likely ranges and a provision requires significant levels of judgement and competition law expertise in applying appropriate assumptions. Changes in a number of key assumptions in relation to the alleged infringements including time periods, relevant turnover, percentage of turnover and adjustments for aggravating or mitigating factors can have a material impact on the amounts concerned.</p> <p>Group and parent</p>	<p>Our audit work in this area focused on gaining an understanding of the latest status of the investigation, including a review of CMA announcements and the SO. We engaged an external independent competition law advisor to act as our expert.</p> <p>We reviewed the SO (which was disclosed to us and our legal advisor by the CMA on a redacted and restricted basis), together with obtaining independent legal advice in relation to the SO.</p> <p>We held meetings with management and their external legal advisors to understand the status of the investigation, the further possible stages involved and the potential penalties should the CMA's findings be made final.</p> <p>Together with our independent competition law advisor we challenged management's assessment of the evidence supporting the amount provided and the range disclosed.</p> <p>This included assessing the likelihood based on previous CMA investigations of a fine being imposed after a SO had been issued.</p> <p>Based on the work performed, including evaluating the advice of our independent competition law advisor we determined that the amount provided and disclosure made within the financial statements were consistent with the evidence that we obtained.</p>

# Independent Auditors' Report

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The group's accounting process is structured around a group finance function at its head office in Harrogate which is responsible for the group's reporting units. For each reporting unit we determined whether we required an audit of its reported financial information ('full scope'), or whether certain account balances of reporting units were required to be in the scope of our group audit to address specific risk characteristics or to provide sufficient overall group coverage of particular financial statement line items.

A full scope audit was required for four reporting units determined as financially significant as together they contribute 91% of the group's external revenues and 94% of the group's profit before tax, amortisation and exceptionals. All of the audit procedures have been performed by the group engagement team.

In addition, the group audit team performed analytical review procedures over a number of smaller reporting units. This included an analysis of year on year movements, at a level of disaggregation to enable a focus on higher risk balances and unusual movements. This gave us the evidence we needed for our opinion on the financial statements as a whole.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Overall materiality</b>	£2.3 million (2018: £1.9 million).	£794,000 (2018: £652,000).
<b>How we determined it</b>	5% of profit before tax, amortisation and exceptionals.	5% of profit before tax, amortisation and exceptionals.
<b>Rationale for benchmark applied</b>	We applied this benchmark because, in our view, this is the most relevant metric against which the performance of the group is most commonly measured. There have been a number of non-recurring material exceptional items during the year which would not form part of the group's regular business activities which have been excluded from the benchmark.	We applied this benchmark because, in our view, this is the most relevant metric against which the performance of the entities within the company are most commonly measured.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £378,000 and £1,847,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £117,000 (Group audit) (2018: £97,000) and £39,700 (Parent company audit) (2018: £32,600) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

# Independent Auditors' Report

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

### **The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group**

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 20 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 18 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit. (Listing Rules)

### **Other Code Provisions**

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 49, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 30 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

### **Directors' Remuneration**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)



# Independent Auditors' Report

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 49, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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## Other required reporting

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### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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### Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 15 October 2014 to audit the financial statements for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 March 2015 to 31 March 2019.

**Ian Morrison (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**Leeds**  
**5 June 2019**

# Consolidated Income Statement

for the Year Ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Revenue</b>	2	<b>382,830</b>	303,639
Cost of sales		<b>(295,539)</b>	(229,477)
<b>Gross profit</b>		<b>87,291</b>	74,162
Administrative expenses		<b>(48,968)</b>	(39,927)
<b>Operating profit before amortisation and exceptionals</b>	2	<b>51,571</b>	44,018
Amortisation and impairment	10	<b>(4,632)</b>	(8,101)
Exceptional items	4	<b>(8,616)</b>	(1,682)
<b>Operating profit</b>	3	<b>38,323</b>	34,235
Financial income	7	<b>88</b>	75
Financial expenses	7	<b>(4,830)</b>	(3,496)
<b>Profit before taxation, amortisation and exceptionals</b>		<b>46,829</b>	40,597
Amortisation and impairment	10	<b>(4,632)</b>	(8,101)
Exceptional items	4	<b>(8,616)</b>	(1,682)
<b>Profit before taxation</b>		<b>33,581</b>	30,814
Income tax expense	8	<b>(7,759)</b>	(6,448)
<b>Profit attributable to owners of the parent</b>		<b>25,822</b>	24,366
Basic earnings per 5p ordinary share	21	<b>65.20p</b>	61.72p
Diluted earnings per 5p ordinary share	21	<b>63.66p</b>	60.95p
Dividend per 5p ordinary share interim paid and final proposed	20	<b>30.20p</b>	26.00p

# Statements of Comprehensive Income

## Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Profit for the year</b>		<b>25,822</b>	24,366
<b>Other comprehensive income/(expense):</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit pension scheme	25	<b>536</b>	275
Tax on items taken to other comprehensive income	8	<b>(1)</b>	(50)
Impact of tax rate change	8	-	(65)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Foreign exchange translation difference		<b>(493)</b>	(900)
Effective portion of changes in fair value of cash flow hedges		<b>(614)</b>	444
<b>Total other comprehensive expense</b>		<b>(572)</b>	(296)
<b>Total comprehensive income for the year attributable to owners of the parent</b>		<b>25,250</b>	24,070

## Parent Company Statement of Comprehensive Income for the Year Ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Profit for the year</b>		<b>9,231</b>	6,202
<b>Other comprehensive income/(expense):</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit pension scheme	25	<b>546</b>	156
Tax on items taken to other comprehensive income		<b>(99)</b>	(29)
Impact of tax rate change		-	(58)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Foreign exchange translation difference		<b>(53)</b>	-
Effective portion of changes in fair value of cash flow hedges		<b>(614)</b>	444
<b>Total other comprehensive (expense)/income</b>		<b>(220)</b>	513
<b>Total comprehensive income for the year</b>		<b>9,011</b>	6,715

# Consolidated Statement of Changes in Equity

for the Year Ended 31 March 2019

		Share Capital	Capital Redemption Reserve	Share Premium	Hedging Reserve	Foreign Currency Translation	Retained Earnings	Non-controlling Interest	Total Equity
	Note	£000	£000	£000	£000	£000	£000	£000	£000
<b>Equity at 1 April 2017</b>		<b>2,008</b>	<b>301</b>	<b>16,192</b>	<b>(153)</b>	<b>613</b>	<b>118,328</b>	<b>27</b>	<b>137,316</b>
Total comprehensive income for the year (see page 57)		-	-	-	444	(900)	24,526	-	24,070
Tax movements to equity	8	-	-	-	-	-	444	-	444
Impact of tax rate change	8	-	-	-	-	-	(25)	-	(25)
Share option charge in the year		-	-	-	-	-	2,446	-	2,446
Net movement relating to shares held by Vp Employee Trust		-	-	-	-	-	(822)	-	(822)
Dividend to shareholders	20	-	-	-	-	-	(8,983)	-	(8,983)
Total change in equity during the year		-	-	-	444	(900)	17,586	-	17,130
<b>Equity at 31 March 2018 and 1 April 2018</b>		<b>2,008</b>	<b>301</b>	<b>16,192</b>	<b>291</b>	<b>(287)</b>	<b>135,914</b>	<b>27</b>	<b>154,446</b>
Total comprehensive income for the year (see page 57)		-	-	-	(614)	(493)	26,357	-	25,250
Tax movements to equity	8	-	-	-	-	-	944	-	944
Share option charge in the year		-	-	-	-	-	2,395	-	2,395
Net movement relating to shares held by Vp Employee Trust		-	-	-	-	-	(3,297)	-	(3,297)
Dividend to shareholders	20	-	-	-	-	-	(10,853)	-	(10,853)
Total change in equity during the year		-	-	-	(614)	(493)	15,546	-	14,439
<b>Equity as at 31 March 2019</b>		<b>2,008</b>	<b>301</b>	<b>16,192</b>	<b>(323)</b>	<b>(780)</b>	<b>151,460</b>	<b>27</b>	<b>168,885</b>

# Parent Company Statement of Changes in Equity

for the Year Ended 31 March 2019

		Capital	Share	Hedging	Hive Up	Retained	Total
	Share	Redemption	Share	Reserve	Reserve	Earnings	Equity
Note	Capital	Reserve	Premium	Reserve	Reserve	Earnings	Equity
	£000	£000	£000	£000	£000	£000	£000
<b>Equity at 1 April 2017</b>	<b>2,008</b>	<b>301</b>	<b>16,192</b>	<b>(153)</b>	-	<b>42,615</b>	<b>60,963</b>
Total comprehensive income for the year (see page 57)	-	-	-	444	-	6,271	6,715
Tax movements to equity	-	-	-	-	-	172	172
Impact of tax rate change	-	-	-	-	-	(25)	(25)
Share option charge in the year	-	-	-	-	-	2,446	2,446
Net movement relating to shares held Vp Employee Trust	-	-	-	-	-	(822)	(822)
Dividend to shareholders	20	-	-	-	-	(8,983)	(8,983)
Unrealised gain on hive up	19	-	-	-	8,156	-	8,156
Total change in equity during the year	-	-	-	444	8,156	(941)	7,659
<b>Equity at 31 March 2018 and 1 April 2018</b>	<b>2,008</b>	<b>301</b>	<b>16,192</b>	<b>291</b>	<b>8,156</b>	<b>41,674</b>	<b>68,622</b>
Total comprehensive income for the year (see page 57)	-	-	-	(614)	-	9,625	9,011
Tax movements to equity	-	-	-	-	-	944	944
Impact of tax rate change	-	-	-	-	-	-	-
Share option charge in the year	-	-	-	-	-	2,395	2,395
Net movement relating to shares held by Vp Employee Trust	-	-	-	-	-	(3,297)	(3,297)
Dividend to shareholders	20	-	-	-	-	(10,853)	(10,853)
Total change in equity during the year	-	-	-	(614)	-	(1,186)	(1,800)
<b>Equity at 31 March 2019</b>	<b>2,008</b>	<b>301</b>	<b>16,192</b>	<b>(323)</b>	<b>8,156</b>	<b>40,488</b>	<b>66,822</b>

# Consolidated Balance Sheet

at 31 March 2019

		2019	2018
	Note	£000	Restated* £000
<b>NET ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	248,651	239,739
Intangible assets	10	89,670	94,317
Employee benefits	25	2,732	2,230
<b>Total non-current assets</b>		<b>341,053</b>	<b>336,286</b>
<b>Current assets</b>			
Inventories	12	7,809	8,620
Trade and other receivables	13	80,433	70,872
Cash and cash equivalents	14	29,044	18,194
<b>Total current assets</b>		<b>117,286</b>	<b>97,686</b>
<b>Total assets</b>		<b>458,339</b>	<b>433,972</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	15	(17,659)	(10,218)
Income tax payable		(2,184)	(2,365)
Trade and other payables	17	(81,720)	(70,455)
<b>Total current liabilities</b>		<b>(101,563)</b>	<b>(83,038)</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	15	(179,485)	(187,148)
Deferred tax liabilities	18	(8,406)	(9,340)
<b>Total non-current liabilities</b>		<b>(187,891)</b>	<b>(196,488)</b>
<b>Total liabilities</b>		<b>(289,454)</b>	<b>(279,526)</b>
<b>Net assets</b>		<b>168,885</b>	<b>154,446</b>
<b>EQUITY</b>			
Issued share capital	19	2,008	2,008
Capital redemption reserve		301	301
Share premium		16,192	16,192
Foreign currency translation reserve		(780)	(287)
Hedging reserve		(323)	291
Retained earnings		151,460	135,914
<b>Total equity attributable to equity holders of the parent</b>		<b>168,858</b>	<b>154,419</b>
<b>Non-controlling interest</b>		<b>27</b>	<b>27</b>
<b>Total equity</b>		<b>168,885</b>	<b>154,446</b>

The financial statements on pages 56 to 98 were approved and authorised for issue by the Board of Directors on 5 June 2019 and were signed on its behalf by:

**Jeremy Pilkington**  
Chairman

**Allison Bainbridge**  
Director

Company number: 481833

\*The restatement of the prior year consolidated balance sheet reflects the fair value adjustments in regards to prior year acquisitions as described in Notes 9, 10 and 26.



# Parent Company Balance Sheet

at 31 March 2019

		2019	2018
	Note	£000	Restated*
			£000
<b>NET ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	116,536	113,627
Intangible assets	10	20,328	20,552
Investments in subsidiaries	11	70,047	70,047
Employee benefits	25	3,166	2,621
Trade and other receivables	13	94,283	90,107
<b>Total non-current assets</b>		<b>304,360</b>	<b>296,954</b>
<b>Current assets</b>			
Inventories	12	1,841	2,468
Trade and other receivables	13	25,933	25,233
Cash and cash equivalents	14	3,416	3,608
<b>Total current assets</b>		<b>31,190</b>	<b>31,309</b>
<b>Total assets</b>		<b>335,550</b>	<b>328,263</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	15	(17,377)	(9,747)
Income tax payable		(960)	(961)
Trade and other payables	17	(58,022)	(51,595)
<b>Total current liabilities</b>		<b>(76,359)</b>	<b>(62,303)</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	15	(179,252)	(186,712)
Deferred tax liabilities	18	(6,680)	(6,861)
Trade and other payables	17	(6,437)	(3,765)
<b>Total non-current liabilities</b>		<b>(192,369)</b>	<b>(197,338)</b>
<b>Total liabilities</b>		<b>(268,728)</b>	<b>(259,641)</b>
<b>Net assets</b>		<b>66,822</b>	<b>68,622</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Issued share capital	19	2,008	2,008
Capital redemption reserve		301	301
Share premium		16,192	16,192
Hedging reserve		(323)	291
Hive up reserve		8,156	8,156
<b>Retained earnings</b>			
At 1 April		41,674	42,615
Profit for the financial year		9,231	6,202
Other changes in retained earnings		(10,417)	(7,143)
At 31 March		<b>40,488</b>	<b>41,674</b>
<b>Total equity</b>		<b>66,822</b>	<b>68,622</b>

The financial statements on pages 56 to 98 were approved and authorised for issue by the Board of Directors on 5 June 2019 and were signed on its behalf by:

**Jeremy Pilkington**  
Chairman

**Allison Bainbridge**  
Director

Company number: 481833

\*The restatement of prior year parent company balance sheet reflects the completed fair value assessment of the Brandon Hire acquisition as described in note 26.

The  
Equipment  
Rental  
Specialist

# Consolidated Statement of Cash Flows

for the Year Ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Cash flows from operating activities</b>			
Profit before taxation		33,581	30,814
Adjustments for:			
Share based payment charges		2,395	2,446
Depreciation	9	49,768	40,319
Amortisation and impairment	10	4,632	8,101
Financial expense		4,830	3,496
Financial income		(88)	(75)
Profit on sale of property, plant and equipment		<u>(7,583)</u>	<u>(6,095)</u>
<b>Operating cash flow before changes in working capital and provisions</b>		<b>87,535</b>	<b>79,006</b>
Decrease/(increase) in inventories		853	(1,049)
Increase in trade and other receivables		(9,518)	(6,225)
Increase in trade and other payables		<u>13,818</u>	<u>1,907</u>
<b>Cash generated from operations</b>		<b>92,688</b>	<b>73,639</b>
Interest paid		(4,696)	(3,190)
Interest element of finance lease rental payments		(221)	(213)
Interest received		88	75
Income taxes paid		<u>(7,948)</u>	<u>(7,014)</u>
<b>Net cash generated from operating activities</b>		<b><u>79,911</u></b>	<b><u>63,297</u></b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		19,969	18,518
Purchase of property, plant and equipment		(74,588)	(71,571)
Acquisition of businesses and subsidiaries (net of cash acquired)	26	-	(49,660)
<b>Net cash used in investing activities</b>		<b><u>(54,619)</u></b>	<b><u>(102,713)</u></b>
<b>Cash flows from financing activities</b>			
Purchase of own shares by Employee Trust		(3,297)	(822)
Repayment of borrowings		(44,000)	(29,036)
New loans		37,000	79,000
New finance leases		108	348
Payment of finance lease liabilities		(1,551)	(1,275)
Dividend paid	20	<u>(10,853)</u>	<u>(8,983)</u>
<b>Net cash (used in)/generated from financing activities</b>		<b><u>(22,593)</u></b>	<b><u>39,232</u></b>
Net increase/(decrease) in cash and cash equivalents		2,699	(184)
Effect of exchange rate fluctuations on cash held		(70)	(395)
Cash and cash equivalents as at the beginning of the year		<u>9,503</u>	<u>10,082</u>
<b>Cash and cash equivalents as at the end of the year</b>	14	<b><u>12,132</u></b>	<b><u>9,503</u></b>



# Parent Company Statement of Cash Flows

for the Year Ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Cash flows from operating activities</b>			
Profit before taxation		12,974	8,772
Adjustments for:			
Share based payment charges		2,395	2,446
Depreciation	9	14,456	13,578
Amortisation and impairment	10	224	5,033
Financial expense		2,807	1,826
Financial income		(1)	(22)
Profit on sale of property, plant and equipment		(3,188)	(2,939)
<b>Operating cash flow before changes in working capital and provisions</b>		<b>29,667</b>	<b>28,694</b>
Decrease/(increase) in inventories		627	(904)
Increase in trade and other receivables		(3,357)	(32,849)
Increase/(decrease) in trade and other payables		9,559	(3,544)
<b>Cash generated from/(used in) operations</b>		<b>36,496</b>	<b>(8,603)</b>
Interest paid		(4,690)	(3,191)
Interest element of finance lease rental payments		(179)	(157)
Interest received		1	22
Income taxes paid		(2,546)	(2,707)
<b>Net cash generated from/(used in) operating activities</b>		<b>29,082</b>	<b>(14,636)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		14,415	14,536
Purchase of property, plant and equipment		(29,709)	(29,157)
Investment in new subsidiary		-	(41,876)
<b>Net cash used in investing activities</b>		<b>(15,294)</b>	<b>(56,497)</b>
<b>Cash flow from financing activities</b>			
Purchase of own shares by Employee Trust		(3,297)	(822)
Repayment of borrowings		(44,000)	(129)
New loans		37,000	79,000
Payment of finance lease liabilities		(1,051)	(948)
Dividend paid	20	(10,853)	(8,983)
<b>Net cash (used in)/generated from financing activities</b>		<b>(22,201)</b>	<b>68,118</b>
Net decrease in cash and cash equivalents		(8,413)	(3,015)
Cash and cash equivalents as at the beginning of the year		(5,083)	(2,068)
<b>Cash and cash equivalents net of overdraft as at the end of the year</b>	14	<b>(13,496)</b>	<b>(5,083)</b>

# Notes

(forming part of the financial statements)

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

Vp plc is a public limited company (limited by shares) which is listed on the London Stock Exchange and incorporated and domiciled in Great Britain. These consolidated Financial Statements of Vp plc for the year ended 31 March 2019, consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company's Financial Statements present information about the Company as a separate entity and not about the Group.

### Basis of preparation

Both the Parent Company Financial Statements and the Group Financial Statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRSIC) interpretations as adopted by the EU and the Companies Act 2006 applicable to company reporting under IFRS. In publishing the Parent Company Financial Statements here together with the Group Financial Statements, the Company has taken advantage of the exemptions in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved Financial Statements.

The Financial Statements are presented in sterling, rounded to the nearest thousand. They are prepared on a going concern basis (further details are provided in the Directors' Report) and historic cost basis except that derivative financial instruments and cash settled share options are stated at fair value.

### Accounting policies and restatements

The Group's and Company's accounting policies are set out below and with the exception of the new standards below, the accounting policies have been applied consistently to all periods presented in these consolidated Financial Statements. There were no changes to IFRSs or IFRSIC interpretations that have had a material impact on the Group for the year ended 31 March 2019.

### New standards adopted by the group

The Group has applied IFRS 9 *Financial Instruments* which replaces IAS 39 related to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 April 2018 primarily resulted in changes in the Group's accounting policy for impairment of financial assets. In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated. In addition, the impact of IFRS 9 has not been adjusted within opening reserves due to the revised policy having an immaterial impact of £0.1 million as of 31 March 2018.

The Group has applied IFRS 15 *Revenue from Contracts with Customers* as issued in May 2014. In accordance with the new transition provisions of IFRS 15 the new rules have been adopted retrospectively. There was no cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings. The adoption of IFRS 15 did not result in significant changes to the Group's accounting policies and had no impact to the amounts recognised in the consolidated financial statements.

### Future standards

At the date of approval of these financial statements the following standards and interpretations were in issue but not yet effective:

IFRS 16 *Leases* (effective for accounting periods commencing on or after 1 January 2019). IFRS 16 will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value assets. The standard will affect primarily the accounting for the group's operating leases.

The Group expects to adopt the standard using a modified retrospective approach where the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings and comparatives are not restated. The Group expects to recognize right-of-use assets of approximately £81 million on 1 April 2019, lease liabilities of approximately £87 million and deferred tax assets of approximately £1 million for lease commitments within IFRS 16.

Operating lease rental charges for those leases accounted for under IFRS 16 are replaced by amortisation and finance costs. The impact on the profit before taxation in the consolidated income statement is not expected to be material. The adoption of IFRS 16 will have no impact on the Group's cash flows except to present cash outflows as financing instead of operating.

The Group's activities as a lessor are primarily on a short-term basis and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases.

### Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 April 2004, the date of transition to adopted IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation, as permitted by the exemption in IFRS 1.

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Operating lease payments are accounted for as described in the accounting policy on operating leases.

Where the information is available assets acquired via acquisitions are recorded in the accounting records at fair value on a gross cost and accumulated depreciation basis. The fair value of the acquired property, plant and equipment is therefore the net of the cost and accumulated depreciation shown in the fixed asset note. The Group considers it appropriate to show this on a gross basis as the cost gives a better indication of the earning capacity of the hire fleet.

Depreciation is provided by the Group to write off the cost or deemed cost less estimated residual value of tangible fixed assets using the following annual rates:

Land and Buildings - Freehold buildings	-	2% straight line
Land and Buildings - Leasehold improvements	-	Term of lease
Rental equipment	-	7% - 33% straight line depending on asset type
Motor vehicles	-	25% straight line
Other - Computers	-	33% straight line
Other - Fixtures, fittings and other equipment	-	10% - 20% straight line

Estimates of residual values are reviewed at least annually and adjustments made as appropriate. Any profit generated on disposal is credited to cost of sales. No depreciation is provided on freehold land.

### Business combinations and goodwill

For acquisitions on or after 1 April 2010, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- The fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition are expensed to the income statement as incurred.

In respect of acquisitions between 1 April 2004 and 1 April 2010, goodwill represents the difference between the cost of the acquisitions and the fair value of identifiable net assets and contingent liabilities acquired. Costs related to the acquisition were capitalised as part of the cost of the acquisition.

Goodwill is stated at cost less any accumulated impairment losses and is included on the balance sheet as an intangible asset. It is allocated to cash generating units and is not amortised, but tested annually for impairment against expected future cash flows from the cash generating unit to which it is allocated.

The Group has chosen not to restate business combinations prior to 1 April 2004 on an IFRS basis as permitted by IFRS 1. Goodwill is included on the basis of deemed cost for the transactions which represent its carrying value at the date of transition to adopted IFRSs.

### Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is included within cost of sales within the Income Statement. The rate of amortisation attempts to write-off the cost of the intangible asset over its estimated useful life using the following rates:

Customer related intangibles	-	up to 10 years
Supply agreement	-	the initial term of the agreement
Trade names	-	over the estimated initial period of usage, normally 10 years

No amortisation is provided where trade names are expected to have an indefinite life.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment

The carrying amounts of non financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised through the Income Statement. For goodwill and assets that have an indefinite useful life the recoverable amount is tested at each balance sheet date.

### Investments

In the Company's Financial Statements, investments in subsidiary undertakings are stated at cost less impairment.

Dividends received and receivable are credited to the Company's Income Statement to the extent that the Company has the right to receive payment.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Raw materials and consumables stock is held primarily for the repair and maintenance of fleet assets. Goods for resale relate to stock held for sale. The basis of expensing stock is on a first-in first-out basis.

### Trade and other receivables

Trade and other receivables are stated at their due amounts less impairment losses. The Group was required to revise its impairment methodology under IFRS 9 for trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. The loss allowance for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the Statement of Cash Flows.

### Interest bearing loans and borrowings

Financial assets and liabilities are recognised on the balance sheet when the Group becomes party to the contractual provision of the instrument. Interest bearing borrowings are recognised initially at fair value. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the periods of the borrowings on an effective interest basis.

### Taxation

The charge for taxation is based on the results for the year and takes into account full provision for deferred taxation due to temporary differences.

Deferred tax is provided using the balance sheet liability method to provide for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are not discounted and are offset where amounts will be settled on a net basis as a result of a legally enforceable right.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years. A tax provision is recognised where there is a probable requirement to settle, in the future, an obligation based on a past event.

### Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee benefits – pensions

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

The Group's net obligation in respect of its defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit method.

The Group's net obligation is recorded as a balance sheet asset or liability and the actuarial gains and losses associated with this balance sheet item are recognised in the Statement of Comprehensive Income as they arise. Actuarial gains and losses occur when actuarial assumptions differ from those previously envisaged by the actuary or when asset returns differ from the liability discount rate.

An asset for the surplus has been recognised on the basis that it is recoverable prior to wind up of the scheme, however the balance sheet position is sensitive to small fluctuations in the assumptions made.

When the benefits of the plan are improved, the proportion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognises related restructuring costs or termination benefits.

### Dividend

Dividends are recognised as a liability in the period in which they are approved, however interim dividends are recognised on a paid basis.

### Share Capital

Ordinary shares are classified as equity.

### Employee trust shares

The Group has an employee trust (the Vp Employee Trust) for the warehousing of shares in support of awards granted by the Company under its various share option schemes. The Group accounts include the assets and related liabilities of the Vp Employee Trust. In both the Group and Parent Company accounts the shares in the Group held by the employee trust are treated as treasury shares, are held at cost, and presented in the balance sheet as a deduction from retained earnings. The shares are ignored for the purpose of calculating the Group's earnings per share.

### Treasury shares

When share capital recognised as equity is repurchased and classified as treasury shares the amount of the consideration paid is recognised as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

### Derivative financial instruments

Interest rate and exchange rate swaps are only used for economic hedging purposes and not as speculative investments. At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions. The Group determines the hedge effectiveness of its interest and exchange rate swaps at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

Interest rate and exchange rate swaps are accounted for in the balance sheet at fair value and any movement in fair value is taken to the Income Statement, unless the swap is designated as an effective hedge of the variability in cash flows, an "effective cash flow hedge".

Where a derivative financial instrument is designated as an effective cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised). For cash flow hedges, other than those covered by the preceding policy statement, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

The fair value of interest rate swaps is the estimated amount the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current and future interest rates and the current creditworthiness of the swap counterparties. The fair value of the exchange rate swaps is the estimated amount the Group would receive or pay to terminate the swap at the balance sheet date taking account of current and future exchange rates. The carrying value of hedge instruments is presented within other payables or other assets as appropriate.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### Revenue

Revenue represents the amounts (excluding Value Added Tax) derived from the hire of equipment and the provision of goods and services to third party customers during the year. Revenue from equipment hire, which is the vast majority of Group revenues, is accounted for under IAS 17 - Leases. Revenue is recognised from the start of hire through to the end of the agreed hire period predominantly on a time apportioned basis. Revenue for services and sales of good are accounted for under IFRS 15 - Revenue from Contracts with Customers. Revenue from providing services is recognised in the accounting period in which the services are rendered, the majority of which are short term and an immaterial proportion bridge a financial period end. Any increases or decreases in estimated revenues or costs arising from changed circumstances are reflected in profit in the period in which they become known by management. Customers are invoiced on an agreed upon basis and consideration is payable when invoiced. Revenue from sales of goods primarily relates to consumables and new machine sales. Revenue is recognised when a Group entity sells a consumable to the customer or when control of the new machine has transferred ownership to the buyer upon delivery. Depending on the type of sale, a receivable is recognised when the goods are delivered or due immediately. As the Group does not in the course of its ordinary activities routinely dispose of equipment held for hire, any sales proceeds are shown as a reduction in cost of sales. Below summarises the disaggregation of revenue from contracts with customers from the total revenue disclosed in the consolidated income statement:

	2019			2018		
	UK £000	International £000	Total £000	UK £000	International £000	Total £000
Equipment hire	262,383	24,530	286,913	209,823	24,924	234,747
Services	54,957	6,066	61,023	38,225	6,023	44,248
Sales of goods	32,968	1,926	34,894	23,941	703	24,644
Total revenue	<u>350,308</u>	<u>32,522</u>	<u>382,830</u>	<u>271,989</u>	<u>31,650</u>	<u>303,639</u>

### Share based payments

The fair value of share options is charged to the Income Statement based upon their fair value at the date of grant with a corresponding increase in equity. The charge is recognised evenly over the vesting period of the options. The liabilities for cash settled share based payment arrangements are measured at fair value.

The fair values are calculated using an appropriate option pricing model. The Group's Approved, Unapproved and Save As You Earn (SAYE) schemes have been valued using the Black-Scholes model and the Income Statement charge is adjusted to reflect the expected number of options that will vest, based on expected levels of performance against non-market based conditions and the expected number of employees leaving the Group. The fair values of the Group's Long Term Incentive Plan (LTIP) and Share Matching scheme are calculated using a discounted grant price model, again adjusted for expected performance against non-market based conditions and employees leaving the Group. Amendments to IFRS 2, "Share Based Payments", clarified the treatment of cancelled options, whereby if a grant of equity instruments is cancelled the Group shall account for the cancellation as an acceleration of vesting and shall recognise immediately the amount that would have been recognised over the remainder of the vesting period.

Any cash settled options are valued at their fair value as calculated at each period end, taking account of performance criteria and expected numbers of employees leaving the Group and the liability is reflected in the balance sheet within accruals.

The parent company recharges the subsidiary entities with the fair value of the share options relating to the employees associated with that entity.

The Group's results are subject to fluctuations caused by the cash settled share options and national insurance costs on unapproved share options as these are required to be re-measured at each reporting date based on the Company share price. Changes in the Company's share price during the reporting period therefore impact the charge to the Income Statement for cash settled options and national insurance, including vested but not exercised options, as well as unvested options. A movement of 10 pence in share price would impact the charge to the Income Statement by £49,000 (2018: £42,000).

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the Income Statement. Non-monetary assets and liabilities that are stated at fair value are translated to sterling at the foreign exchange rates ruling at the date the values were determined.

The assets and liabilities of foreign operations are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at rates approximating to the foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on retranslation are recognised directly in equity.

### Operating leases - lessor

The Group's rental fleet is hired to customers under simple operating leases with no contingent rent, purchase clauses or escalation clauses.

### Operating leases - lessee

Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease. In general the Group is party to leases for property, vehicles, office equipment and rehired rental fleet. These leases are primarily simple operating leases with no contingent rent, purchase clauses or escalation clauses.

### Exceptional items

The business classifies certain events as exceptional due to their size and nature where it feels that separate disclosure would help understand the underlying performance of the business. Further discussion is disclosed in note 4.

### Accounting estimates and judgements

The key accounting policies, estimates and judgements used in preparing the Group's and Company's Annual Report and Accounts for the year ended 31 March 2019 have been reviewed and approved by the Audit Committee. The areas of principal accounting uncertainty that could have a significant impact in the next 12 months are estimated useful lives of rental assets, including residual values, regulatory review cost provisions and assumptions relating to pension costs. In addition the testing for impairment of goodwill and other intangibles requires significant estimates and judgements relating to cash flows, and the valuation of the fair value of acquired net assets also requires significant estimates and judgements.

The Group continually reviews depreciation rates and using its judgement adopts a cautious policy in assessing estimated useful economic lives of fleet assets (see page 65). The rate of technological and legislative change is factored into the estimates, together with the diminution in value through use and time. The Group also takes account of the profit or loss it makes on the disposal of fixed assets in determining whether depreciation policies are appropriate.

There are a number of assumptions which impact the regulatory review costs provision. Further details are provided in note 4.

The key assumptions and sensitivities applied to pensions are disclosed in note 25. The pension scheme position is derived using actuarial assumptions for inflation, future salary increases, discount rates and mortality rates which are inherently uncertain. Due to the relative size of the scheme, small changes to these assumptions can give rise to a significant impact on the pension scheme position reported in the Balance Sheet. A pension asset for the Vp plc pension scheme has been recognised as there is an unconditional right to a refund of the surplus prior to winding up the scheme.

Goodwill and other intangibles are tested for impairment by reference to the expected estimated cash generated by the business unit. This is deemed to be the best approximation of value, but is subject to the same uncertainties as the cash flow forecast being used. Further details are provided in note 10.

The accounting for acquisitions requires the Group to use its judgement and use estimates to determine the fair value of net assets acquired, particularly intangible assets. Further details are provided in note 26.

## 2. SEGMENT REPORTING

Segment reporting is presented in respect of the Group's business and geographical segments. The Group's reportable segments are the two units, UK and International. This has been determined on the way in which financial information is organised and reported to the Group board who are responsible for the key operating decisions of the Group, allocating resources and assessing performance and hence are the chief operating decision makers. Total external revenue in 2019 was £382,830,000 (2018: £303,639,000). Inter-segment pricing is determined on an arm's length basis. Included within revenue is £34.9 million (2018: £24.6 million) of revenue relating to the sale of goods, the rest of the revenue is service related including hire revenue. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### Geographical segments

Revenue is generated mainly within the United Kingdom with no single overseas geographical area accounting for more than 10% of the Group revenue. Total overseas revenue was £62.5 million (2018: £45.3 million), including overseas revenue generated by the UK based divisions. The Group has one operating branch of a UK registered company operating in another country within the EU, namely a branch of Hire Station Limited operating in the Netherlands.

# Notes

## 2. SEGMENT REPORTING (continued)

### Business segments

	Revenue						Operating profit before amortisation and exceptionals	
	2019			2018			2019	2018
	External Revenue £000	Internal Revenue £000	Total Revenue £000	External Revenue £000	Internal Revenue £000	Total Revenue £000	£000	£000
UK	350,308	4,930	355,238	271,989	3,850	275,839	49,838	43,001
International	32,522	-	32,522	31,650	-	31,650	1,733	1,017
	<b>382,830</b>	<b>4,930</b>	<b>387,760</b>	<b>303,639</b>	<b>3,850</b>	<b>307,489</b>	<b>51,571</b>	<b>44,018</b>

A reconciliation of operating profit before amortisation and exceptionals to profit before tax is provided in the Income Statement.

	Assets		Liabilities		Net Assets	
	2019	2018 Restated*	2019	2018 Restated*	2019	2018
	£000	£000	£000	£000	£000	£000
UK	421,840	397,164	283,832	275,061	138,008	122,103
International	36,499	36,808	5,622	4,465	30,877	32,343
	<b>458,339</b>	<b>433,972</b>	<b>289,454</b>	<b>279,526</b>	<b>168,885</b>	<b>154,446</b>

	Acquired Assets		Capital Expenditure		Depreciation, Amortisation and Impairment	
	2019	2018 Restated*	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
UK	-	80,955	64,734	65,706	48,282	37,966
International	-	-	6,655	5,706	6,118	10,454
	-	80,955	<b>71,389</b>	<b>71,412</b>	<b>54,400</b>	<b>48,420</b>

Acquired assets relate primarily to tangible and intangible assets acquired as a result of acquisitions. Capital expenditure relates to tangible fixed assets acquired in the normal course of business.

Included within segmental assets above is goodwill and indefinite life intangibles in relation to the following segments: UK £61.8 million (2018: £62.5 million), International £2.1 million (2018: £2.1 million).

\*The restatement of prior year balances is disclosed in note 26.

## 3. OPERATING PROFIT

	2019 £000	2018 £000
<b>Operating profit is stated after charging/(crediting):</b>		
Amortisation and impairment of intangible assets	4,632	8,101
Depreciation of property, plant and equipment – owned	49,194	39,581
– leased	574	738
Operating leases - Rent of land and buildings	12,993	8,178
Operating leases - Hire of other assets	26,979	23,655
Profit on disposal of property, plant and equipment	(7,583)	(6,095)
<b>Amounts paid to auditors:</b>		
Audit fees – parent company annual accounts	123	105
– other group companies	129	137
– total group	252	242
Audit related assurance services	15	19
Tax advisory services	-	4
Other assurance services	-	172

Amounts paid to the Company's auditors in respect of services to the Company, other than audit of the Company's Financial Statements, have not been disclosed as the information is only required to be disclosed on a consolidated basis.

The level of profit on disposal is higher than long term historical experience due to a combination of asset management and one off items.



# Notes

## 4. EXCEPTIONAL ITEMS

During the year the Group incurred £8,616,000 of exceptional costs in relation to regulatory review costs; integration of the Brandon Hire Group Holdings Limited acquisition; together with restructuring costs in relation to severance payments and depot closure costs within Hire Station and Airpac Bukom.

The Competition and Markets Authority (CMA) announced on 9 April 2019 that it is investigating three major suppliers of groundworks products to the construction industry. The CMA has provisionally found that the 3 businesses, including a part of the Group's excavation support system business (Groundforce), were involved in suspected anti-competitive behaviour. The CMA's findings are, at this stage in its investigation provisional and do not necessarily lead to a decision that the companies have breached competition law. We continue to work on our response to the CMA's findings. At this point in the process we cannot make an accurate estimate of the likely cost that may subsequently arise in the event that the CMA were to decide in the future that a breach of competition law has taken place. However, accounting standard IAS 37 requires us to provide an amount in these accounts and accordingly we have included a figure of £4.5 million as an exceptional cost. This figure is in the midpoint of a range of possible outcomes (£0 to £9.0 million) that we have calculated based upon previous cases and CMA published guidance and without any admission of culpability.

In the prior year £1,682,000 was in relation to the acquisition of Brandon Hire Group Holdings Limited. These one off costs related to the professional fees and legal costs associated with the acquisition process and the Competition and Markets Authority (CMA) review of the acquisition, together with restructuring costs in relation to severance payments and depot closure costs. The CMA review was subsequently concluded in March 2018 with the acquisition being cleared by the CMA. These are analysed as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
Professional fees, legal costs and CMA costs	-	1,141
Regulatory review costs	<b>4,500</b>	-
Integration costs	<b>3,004</b>	-
Restructuring costs	<b>1,112</b>	541
	<b>8,616</b>	1,682

Exceptional costs are excluded from the profit measures reported in the Strategic Report on the basis that they are non recurring in nature.

## 5. EMPLOYMENT COSTS

### Group

The average monthly number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2019</b>	2018
Operations	<b>2,535</b>	1,975
Sales	<b>359</b>	337
Administration	<b>422</b>	338
	<b>3,316</b>	2,650

The aggregate payroll costs of these persons were as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
Wages and salaries	<b>107,012</b>	86,917
Social security costs	<b>10,386</b>	8,198
Other pension costs	<b>2,868</b>	2,467
Share option costs including associated social security costs - equity settled	<b>3,256</b>	2,853
- cash settled	<b>1,106</b>	754
	<b>124,628</b>	101,189

### Company

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2019</b>	2018
Operations	<b>447</b>	442
Sales	<b>120</b>	123
Administration	<b>151</b>	140
	<b>718</b>	705

# Notes

## 5. EMPLOYMENT COSTS (continued)

### Company

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	29,460	28,454
Social security costs	3,334	3,113
Pension costs	552	532
Share option costs including associated social security costs - equity settled	1,534	1,482
- cash settled	1,106	754
	<u>35,986</u>	<u>34,335</u>

## 6. REMUNERATION OF DIRECTORS

The Group's key management are the executive and non-executive directors. The aggregate remuneration paid to or accrued for the directors for services in all capacities during the year is as follows:

	2019	2018
	£000	£000
Basic remuneration including bonus and benefits	2,263	1,857
Cash allowances/pension contributions	333	295
Share options	1,436	1,241
	<u>4,032</u>	<u>3,393</u>

Further details of directors' remuneration, pensions and share options, including the highest paid director, are given in the Remuneration Report on pages 32 to 45.

## 7. FINANCIAL INCOME AND EXPENSES

	2019	2018
	£000	£000
Financial income:		
Bank and other interest receivable	88	75
Financial expenses:		
Bank loans, overdrafts and other interest	(4,609)	(3,283)
Finance charges payable in respect of finance leases and hire purchase contracts	(221)	(213)
	<u>(4,830)</u>	<u>(3,496)</u>

## 8. INCOME TAX EXPENSE

	2019	2018
	£000	£000
<b>Current tax expense</b>		
UK Corporation tax charge at 19% (2018: 19%)	8,096	6,915
Overseas tax - current year	655	782
Adjustments in respect of prior years - UK	(328)	364
Adjustments in respect of prior years - Overseas	(63)	67
Total current tax	<u>8,360</u>	<u>8,128</u>
<b>Deferred tax expense</b>		
Current year deferred tax	(805)	(605)
Impact of tax rate change	-	(829)
Adjustments to deferred tax in respect of prior years	204	(246)
Total deferred tax	<u>(601)</u>	<u>(1,680)</u>
Total tax expense in income statement	<u>7,759</u>	<u>6,448</u>

# Notes

## 8. INCOME TAX EXPENSE (continued)

### Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2019 %	2019 £000	2018 %	2018 £000
Profit before tax		<b>33,581</b>		<b>30,814</b>
Profit multiplied by standard rate of corporation tax	<b>19.0</b>	<b>6,380</b>	19.0	5,855
Effects of:				
Impact of tax rate changes	<b>0.3</b>	<b>92</b>	(2.7)	(829)
Expenses not deductible for tax purposes	<b>3.1</b>	<b>1,039</b>	0.9	294
Non-qualifying depreciation and amortisation	<b>1.2</b>	<b>407</b>	0.7	229
Gains covered by exemption/losses	<b>(1.2)</b>	<b>(391)</b>	(1.2)	(382)
Overseas tax rate	<b>0.9</b>	<b>299</b>	0.5	152
Adjustments in respect of prior years	<b>(0.6)</b>	<b>(187)</b>	0.6	185
Impairment of intangibles	<b>0.4</b>	<b>120</b>	3.1	944
Total tax charge for the year	<b>23.1</b>	<b>7,759</b>	<b>20.9</b>	<b>6,448</b>

### Tax recognised in reserves

	2019 £000	2018 £000
Other comprehensive income:		
Tax relating to actuarial gains on defined benefit pension scheme	<b>98</b>	51
Tax relating to historic asset revaluations	<b>(1)</b>	(1)
Items recognised in reserves	<b>(96)</b>	-
Impact of tax rate change	-	65
	<b>1</b>	115
Direct to equity:		
Deferred tax relating to share based payments	<b>(444)</b>	60
Current tax relating to share based payments	<b>(500)</b>	(232)
Impact of tax rate change	-	25
Items recognised in equity	-	(272)
	<b>(944)</b>	(419)
Total	<b>(943)</b>	(304)

The corporation tax rate for the year ended 31 March 2019 was 19% (2018: 19%). The rate of tax is expected to reduce to 17% in the year ending 31 March 2021 and this has been reflected in the deferred tax balances carried forward.

The main reconciling items are:

- Expenses not deductible for tax purposes; primarily related to capital transactions, disallowable provisions and customer entertaining
- Non-qualifying depreciation and amortisation; mainly relates to depreciation on land and buildings
- Gains covered by exemptions/losses; primarily relates to chattels exemptions on the disposal proceeds of fleet items
- Overseas tax rates; mainly due to a higher tax rate in Australia than in the UK
- Adjustments in respect of prior years; reflects the differences between the tax calculation for accounts purposes and the final tax returns. The main areas were overseas taxes, disallowed expenses and chargeable gains
- Impairment of intangibles; this relates to the write down of goodwill where there is no tax relief.

The reconciling item relating to the impairment of intangibles is non-recurring in the normal course of business. All the other items will be expected to re-occur on a regular basis, although amounts will vary from year to year. On this basis the effective tax rate before any prior year adjustments would be expected to be about 1.5% over the standard rate of tax.

The closing unremitted earnings of subsidiaries is approximately £133 million. There has been no deferred tax liability recognised on investments in subsidiaries, branches, associates and interests in joint arrangements as the parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

# Notes

## 9. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and Buildings	Rental Equipment	Motor Vehicles	Other Assets	Total
	Restated*	Restated*		Restated*	Restated*
Cost or deemed cost	£000	£000	£000	£000	£000
At 1 April 2017	23,990	307,334	3,008	16,243	350,575
Additions	2,638	64,860	249	3,665	71,412
Acquisitions	5,786	64,584	648	15,711	86,729
Disposals	(246)	(33,524)	(807)	(374)	(34,951)
Exchange rate differences	(33)	(927)	(19)	(137)	(1,116)
Transfer between categories	30	(479)	144	305	-
At 31 March 2018	<u>32,165</u>	<u>401,848</u>	<u>3,223</u>	<u>35,413</u>	<u>472,649</u>
Additions	2,181	63,784	784	4,640	71,389
Disposals	(510)	(42,005)	(441)	(694)	(43,650)
Exchange rate differences	(2)	(490)	4	(14)	(502)
Transfer between categories	1,994	(337)	-	(1,657)	-
At 31 March 2019	<u>35,828</u>	<u>422,800</u>	<u>3,570</u>	<u>37,688</u>	<u>499,886</u>
<b>Accumulated depreciation and impairment losses</b>					
At 1 April 2017	8,462	133,465	2,222	10,857	155,006
Charge for year	1,529	36,052	419	2,319	40,319
On disposals	(182)	(21,325)	(701)	(320)	(22,528)
Acquisitions	2,851	42,453	249	15,038	60,591
Exchange rate differences	(32)	(358)	(8)	(80)	(478)
Transfer between categories	30	(343)	63	250	-
At 31 March 2018	<u>12,658</u>	<u>189,944</u>	<u>2,244</u>	<u>28,064</u>	<u>232,910</u>
Charge for year	2,175	43,070	509	4,014	49,768
On disposals	(341)	(29,819)	(437)	(667)	(31,264)
Exchange rate differences	(5)	(170)	6	(10)	(179)
Transfer between categories	1,979	(223)	-	(1,756)	-
At 31 March 2019	<u>16,466</u>	<u>202,802</u>	<u>2,322</u>	<u>29,645</u>	<u>251,235</u>
<b>Net book value</b>					
<b>At 31 March 2019</b>	<b><u>19,362</u></b>	<b><u>219,998</u></b>	<b><u>1,248</u></b>	<b><u>8,043</u></b>	<b><u>248,651</u></b>
At 31 March 2018	<u>19,507</u>	<u>211,904</u>	<u>979</u>	<u>7,349</u>	<u>239,739</u>
At 31 March 2017	<u>15,528</u>	<u>173,869</u>	<u>786</u>	<u>5,386</u>	<u>195,569</u>

\*The restatement of prior year balances reflects the completed fair value assessment of the Brandon Hire acquisition for £1,643,000 as disclosed in note 26 and a correction of the fair value classification of other acquisitions related to a decrease in land and buildings for £556,000.

# Notes

## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	Land and Buildings	Rental Equipment	Motor Vehicles	Other Assets	Total
Cost or deemed cost	£000	£000	£000	£000	£000
At 1 April 2017	15,769	146,269	1,578	8,294	171,910
Additions	255	25,452	121	928	26,756
Group transfers in	2,070	23,484	885	701	27,140
Group transfers out	-	(8,714)	-	-	(8,714)
Disposals	(16)	(11,664)	(612)	(4)	(12,296)
At 31 March 2018	18,078	174,827	1,972	9,919	204,796
Additions	209	22,093	379	2,187	24,868
Group transfers in	-	5,257	-	-	5,257
Group transfers out	-	(8,349)	-	-	(8,349)
Disposals	(88)	(13,435)	(212)	(158)	(13,893)
Transfer between categories	-	(9)	-	9	-
At 31 March 2019	18,199	180,384	2,139	11,957	212,679
<b>Accumulated depreciation and impairment losses</b>					
At 1 April 2017	4,765	67,321	1,111	5,534	78,731
Charge for year	472	11,948	240	918	13,578
Group transfers in	162	6,423	731	569	7,885
Group transfers out	-	(1,607)	-	-	(1,607)
On disposals	(15)	(6,800)	(601)	(2)	(7,418)
At 31 March 2018	5,384	77,285	1,481	7,019	91,169
Charge for year	479	12,714	235	1,028	14,456
Group transfers in	-	1,533	-	-	1,533
Group transfers out	-	(2,372)	-	-	(2,372)
On disposals	(14)	(8,261)	(212)	(156)	(8,643)
Transfer between categories	-	(6)	-	6	-
At 31 March 2019	5,849	80,893	1,504	7,897	96,143
<b>Net book value</b>					
<b>At 31 March 2019</b>	<b>12,350</b>	<b>99,491</b>	<b>635</b>	<b>4,060</b>	<b>116,536</b>
At 31 March 2018	12,694	97,542	491	2,900	113,627
At 31 March 2017	11,004	78,948	467	2,760	93,179

The cost or deemed cost of land and buildings for the Group and the Company includes £3,204,000 (2018: £3,204,000) of freehold land not subject to depreciation.

Included in the total net book value of fixed assets of the Group is £2,911,000 (2018: £2,767,000) in respect of assets held under finance leases and similar hire purchase contracts, Company £1,851,000 (2018: £1,810,000). Depreciation for the year on these Group assets was £574,000 (2018: £738,000) and £393,000 (2018: £587,000) for the Company. In addition the banks have a fixed and floating charge over the assets of the Group as set out in note 15.

# Notes

## 10. INTANGIBLE ASSETS

GROUP	Trade Names £000	Customer Relationships £000	Supply Agreements £000	Goodwill Restated* £000	Total Restated* £000
<b>Cost or deemed cost</b>					
At 1 April 2017	4,094	9,732	4,989	42,294	61,109
Exchange rate differences	36	(16)	-	31	51
Acquired through business combinations	9,767	15,525	-	29,525	54,817
At 31 March 2018	13,897	25,241	4,989	71,850	115,977
Exchange rate differences	(11)	(14)	-	(1)	(26)
At 31 March 2019	13,886	25,227	4,989	71,849	115,951
<b>Accumulated amortisation and impairment</b>					
At 1 April 2017	979	6,012	3,249	3,357	13,597
Exchange rate differences	(19)	(19)	-	-	(38)
Amortisation	628	1,429	746	-	2,803
Impairment	-	-	-	5,298	5,298
At 31 March 2018	1,588	7,422	3,995	8,655	21,660
Exchange rate differences	(5)	(6)	-	-	(11)
Amortisation	1,182	2,006	745	-	3,933
Impairment	-	-	-	699	699
At 31 March 2019	2,765	9,422	4,740	9,354	26,281
<b>Carrying amount</b>					
<b>At 31 March 2019</b>	<b>11,121</b>	<b>15,805</b>	<b>249</b>	<b>62,495</b>	<b>89,670</b>
At 31 March 2018	12,309	17,819	994	63,195	94,317
At 31 March 2017	3,115	3,720	1,740	38,937	47,512

\*The restatement of prior year goodwill cost balance reflects the completed fair value assessment of the Brandon Hire acquisition for £2,248,000 as disclosed in note 26 and a correction of the fair value classification of other acquisitions for £556,000.

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units (CGUs) or groups of cash generating units as follows:

	Goodwill		Indefinite life intangible assets	
	2019	2018 Restated*	2019	2018
	£000	£000	£000	£000
Groundforce/TPA	15,852	15,837	1,400	1,400
UK Forks	2,043	2,043	-	-
Hire Station	14,805	15,504	-	-
TR	2,083	2,099	-	-
Brandon Hire	27,712	27,712	-	-
	<b>62,495</b>	<b>63,195</b>	<b>1,400</b>	<b>1,400</b>

An intangible asset of £1,400,000 (2018: £1,400,000) with an indefinite life is included within trade names and relates to the TPA name on the basis that it is expected to be maintained indefinitely and continue to deliver future value to the Group. The impairment test of this has been performed using the same assumptions as for the other intangibles.

# Notes

## 10. INTANGIBLE ASSETS (continued)

Goodwill arising on business combinations has been allocated to the CGU's that are expected to benefit from those business combinations.

The carrying value of intangibles and goodwill has been assessed for impairment by reference to its value in use as this is higher than the potential fair value on disposal. Values have been estimated using cash flow projections over a period of 5 years derived from the approved budget for the coming year. The key assumptions within the cash flow projections are those regarding revenue, margin and level of capital spend required to support the business. These assumptions have been validated based on past experience, market conditions and the size of the fleet. The Group tests goodwill annually for impairment or more frequently if there are any indications that goodwill might be impaired. In the current year, three Hire Station goodwill balances were written off as we no longer trade from the acquired locations. In the prior year the goodwill associated with the acquisition of Bukom in 2006 was written off as a result of reduced activity levels and cash flows from the oil and gas sector, primarily in Africa and South America, following the reduction in oil prices. Three small Hire Station goodwill balances were also written off as we no longer trade from the acquired locations. These impairments have been charged to cost of sales. The charges relate to the CGUs shown on page 76 and are goodwill £699,000 (2018: £5,298,000) and intangibles £Nil (2018: £Nil).

The pre tax discount rate applied to all CGU's was 8% (2018: 7%), an estimate based on the group's weighted cost of capital. A growth rate factor was not applied to the projections as value in use exceeded the carrying value before such an assumption was applied. Based on this testing the directors do not consider any of the goodwill or intangible assets carried forward at the year end to be impaired even allowing for a reasonable degree of sensitivity to the underlying assumptions, including the discount rate.

COMPANY	Trade Names	Customer Relationships	Supply Agreements	Goodwill	Total
Cost or deemed cost	£000	£000	£000	£000	£000
At 1 April 2017	643	3,750	394	17,069	21,856
Acquired through business combinations	-	640	-	-	640
Transfer of TPA	1,400	-	-	7,921	9,321
At 31 March 2018	2,043	4,390	394	24,990	31,817
Acquired through business combinations	-	-	-	-	-
Transfer of TPA	-	-	-	-	-
At 31 March 2019	2,043	4,390	394	24,990	31,817
<b>Accumulated amortisation</b>					
At 1 April 2017	469	2,888	394	2,481	6,232
Amortisation charge	27	244	-	-	271
Impairment	-	-	-	4,762	4,762
At 31 March 2018	496	3,132	394	7,243	11,265
Amortisation charge	27	197	-	-	224
Impairment	-	-	-	-	-
At 31 March 2019	523	3,329	394	7,243	11,489
<b>Carrying amount</b>					
<b>At 31 March 2019</b>	<b>1,520</b>	<b>1,061</b>	<b>-</b>	<b>17,747</b>	<b>20,328</b>
At 31 March 2018	1,547	1,258	-	17,747	20,552
At 31 March 2017	174	862	-	14,588	15,624

The directors have reviewed the carrying amount of the Company's goodwill and indefinite life intangible assets on the same basis as the Group's goodwill and concluded that no impairment charge is required with the exception of the charges booked relating to Bukom in the previous year.

# Notes

## 11. INVESTMENTS IN SUBSIDIARIES

### COMPANY

Cost	£000
At 1 April 2017	29,619
Acquisitions	44,298
Write down of investments	(2,200)
Inter Group transfer of Vp GmbH shares	17
At 31 March 2018 (Restated*) and 31 March 2019	<u>71,734</u>
<b>Impairment</b>	
At 1 April 2017, 31 March 2018 and 31 March 2019	<u>1,687</u>
<b>Carrying amount</b>	
<b>At 31 March 2019</b>	<b><u>70,047</u></b>
At 31 March 2018	<u>70,047</u>
At 31 March 2017	<u>27,932</u>

See note 31 for details of subsidiary undertakings.

The write down of investments in the prior year relates to the strike off of dormant subsidiaries and the write down of the investment in TPA to the net assets of the dormant company.

\*The restatement of prior year reflects the completed fair value assessment of the Brandon Hire acquisition as described in note 26.

## 12. INVENTORIES

	Group		Company	
	2019	2018	2019	2018
		Restated*		
	£000	£000	£000	£000
Raw materials and consumables	<b>3,291</b>	3,424	<b>1,510</b>	1,647
Goods for resale	<b>4,518</b>	5,196	<b>331</b>	821
	<u><b>7,809</b></u>	<u>8,620</u>	<u><b>1,841</b></u>	<u>2,468</u>

During the year, as a result of the year end assessment of inventory, there was a £68,000 increase in the Group provision for impairment of inventories (2018: £1,077,000 increase) and a £101,000 increase for Company (2018: £25,000 increase). The provision reflects the Group's best estimate of potential inventory obsolescence. The cost of goods for resale expensed during the year was £26.0 million (2018: £17.8 million). Due to the nature of the spares expenditure and the approach to accounting for spares, it is not possible to provide the value of spares inventory expensed.

\*The restatement of prior year balances is disclosed in note 26.

## 13. TRADE AND OTHER RECEIVABLES

	Group		Company	
Current assets	2019	2018	2019	2018
		Restated*		
	£000	£000	£000	£000
Gross trade receivables	<b>75,579</b>	69,223	<b>20,255</b>	20,248
Trade receivables provisions	<b>(5,465)</b>	(6,335)	<b>(1,445)</b>	(2,185)
Amounts owed by subsidiary undertakings	-	-	<b>3,999</b>	3,850
Other receivables	<b>621</b>	744	-	354
Prepayments and accrued income	<b>9,698</b>	7,240	<b>3,124</b>	2,966
	<u><b>80,433</b></u>	<u>70,872</u>	<u><b>25,933</b></u>	<u>25,233</u>

Within Group and Company other receivables is £Nil million (2018: £0.4 million) in relation to interest rate swaps and foreign exchange rate agreements which are valued at fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as shown above. The Group does not hold any collateral as security. Receivables acquired as part of the acquisitions in the year were £Nil million (2018: £14,967,000) being the fair value of receivables.

\*The restatement of prior year balances is disclosed in note 26.



# Notes

## 13. TRADE AND OTHER RECEIVABLES (continued)

During the year there was a decrease in the provisions for impairment of trade receivables of £870,000 (2018: £2,630,000 increase). The valuation of the provision reflects the Group's best estimates of likely impairment as a result of the aging of the debt, expected credit losses and its knowledge of the debtors. The Group has a reasonable spread of credit risk with the top 25 customers accounting for significantly less than 50% of gross trade debtors. The ageing of the Group's trade receivables (net of impairment provision) at the end of the year was as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
Not overdue	<b>44,477</b>	41,426
0 - 30 days overdue	<b>17,224</b>	16,219
31 - 90 days overdue	<b>5,421</b>	2,856
More than 90 days overdue	<b>2,992</b>	2,387
	<b><u>70,114</u></b>	<u>62,888</u>

On this basis there are £25.6 million (2018: £21.5 million) of trade receivables that are overdue at the balance sheet date that have not been provided against. There is no indication as at 31 March 2019 that debtors will not meet their payment obligations in respect of trade receivables recognised in the balance sheet that are unprovided. On this basis there is no material difference between the fair value and the carrying value.

<b>Non current assets</b>	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£000</b>	£000	<b>£000</b>	Restated*
Amounts owed by subsidiary undertakings	<u>-</u>	<u>-</u>	<b><u>94,283</u></b>	<u>90,107</u>

\*The restatement of prior year balance is disclosed in note 11.

### Contract assets

Included within trade and other receivables are assets in relation to contracts with customers.

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£000</b>	£000	<b>£000</b>	£000
Gross trade receivables	<b>17,722</b>	16,816	<b>4,148</b>	4,305
Trade receivables provision	<b>(1,267)</b>	(1,477)	<b>(220)</b>	(318)
Prepayments and accrued income	<b>1,277</b>	332	<b>182</b>	119
	<b><u>17,732</u></b>	<u>15,671</u>	<b><u>4,110</u></b>	<u>4,106</u>

## 14. CASH AND CASH EQUIVALENTS

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£000</b>	£000	<b>£000</b>	£000
Bank balances	<b>29,044</b>	18,194	<b>3,416</b>	3,608
Overdraft	<b>(16,912)</b>	(8,691)	<b>(16,912)</b>	(8,691)
Cash and cash equivalents as per cash flow statement	<b><u>12,132</u></b>	<u>9,503</u>	<b><u>(13,496)</u></b>	<u>(5,083)</u>

## 15. INTEREST-BEARING LOANS AND BORROWINGS

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Current liabilities</b>				
Bank overdraft	<b>16,912</b>	8,691	<b>16,912</b>	8,691
Obligations under finance leases and hire purchase contracts	<b>747</b>	1,527	<b>465</b>	1,056
	<b><u>17,659</u></b>	<u>10,218</u>	<b><u>17,377</u></b>	<u>9,747</u>
<b>Non-current liabilities</b>				
Secured bank loans	<b>179,000</b>	186,000	<b>179,000</b>	186,000
Obligations under finance leases and hire purchase contracts	<b>485</b>	1,148	<b>252</b>	712
	<b><u>179,485</u></b>	<u>187,148</u>	<b><u>179,252</u></b>	<u>186,712</u>

Net debt defined as total borrowings less cash and cash equivalents was:

	<b>2019</b>	2018
	<b>£000</b>	£000
Total borrowing	<b>197,144</b>	197,366
Cash or cash equivalents	<b>(29,044)</b>	(18,194)
Net debt	<b><u>168,100</u></b>	<u>179,172</u>

# Notes

## 15. INTEREST-BEARING LOANS AND BORROWINGS (continued)

The repayment schedule of the carrying amount of the non-current borrowings as at 31 March 2019 is:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
<b>Due in more than one year but not more than two years:</b>				
Secured bank loans	61,000	-	61,000	-
Obligations under finance leases and hire purchase contracts	350	665	212	463
	<u>61,350</u>	<u>665</u>	<u>61,212</u>	<u>463</u>
<b>Due in more than two years but not more than five years:</b>				
Secured bank loans	118,000	186,000	118,000	186,000
Obligations under finance leases and hire purchase contracts	135	483	40	249
<b>Total</b>	<u>118,135</u>	<u>186,483</u>	<u>118,040</u>	<u>186,249</u>

The bank loans and overdraft are secured by a fixed and floating charge over the assets of the Group and are at variable interest rates linked to LIBOR. The unutilised bank facilities available to the Group as at 31 March 2019 were £21.0 million.

There is no material difference between the carrying value and fair value of the Group's borrowings. Further details relating to the Group's funding strategy (including the maturity details of the bank loans) and its credit, interest rate and currency risk policies are provided in the Financial Review on pages 15 to 17, the Risk Management Report on pages 18 and 19 and the Directors' Report within going concern on page 48. The loans are subject to covenants and these have been fulfilled at all times during the year.

### Liquidity Risk

The following are cash flows relating to the Group's financial liabilities, including estimated interest payments, but excluding the impact of netting agreements, based on the assumption that the loans are repaid at the end of the committed period and interest rates reflect future dated swap agreements.

GROUP	Carrying amount Restated* £000	Contractual cash flows Restated* £000	Less than 1 year Restated* £000	1-2 years £000	2-5 years £000
<b>31 March 2019</b>					
Secured bank loans	179,000	190,389	4,646	65,658	120,085
Bank overdraft	16,912	16,912	16,912	-	-
Finance lease liabilities	1,232	1,359	839	379	141
Trade and other payables	72,097	72,097	72,097	-	-
	<u>269,241</u>	<u>280,757</u>	<u>94,494</u>	<u>66,037</u>	<u>120,226</u>
<b>31 March 2018</b>					
Secured bank loans	186,000	198,934	3,904	3,964	191,066
Bank overdraft	8,691	8,691	8,691	-	-
Finance lease liabilities	2,675	2,971	1,729	723	519
Trade and other payables	63,251	63,251	63,251	-	-
	<u>260,617</u>	<u>273,847</u>	<u>77,575</u>	<u>4,687</u>	<u>191,585</u>

\*The restatement of prior year balances is disclosed in note 26.

COMPANY	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1-2 years £000	2-5 years £000	Over 5 years £000
<b>31 March 2019</b>						
Secured bank loans	179,000	190,389	4,646	65,658	120,085	-
Bank overdraft	16,912	16,912	16,912	-	-	-
Finance lease liabilities	717	816	529	241	46	-
Trade and other payables	61,980	61,980	55,543	-	-	6,437
	<u>258,609</u>	<u>270,097</u>	<u>77,630</u>	<u>65,899</u>	<u>120,131</u>	<u>6,437</u>
<b>31 March 2018</b>						
Secured bank loans	186,000	198,934	3,904	3,964	191,066	-
Bank overdraft	8,691	8,691	8,691	-	-	-
Finance lease liabilities	1,768	2,006	1,201	521	284	-
Trade and other payables	53,552	53,552	49,787	-	-	3,765
	<u>250,011</u>	<u>263,183</u>	<u>63,583</u>	<u>4,485</u>	<u>191,350</u>	<u>3,765</u>

# Notes

## 15. INTEREST-BEARING LOANS AND BORROWINGS (continued)

### Hire purchase and finance lease liabilities

GROUP	Payment	Interest	Principal	Payment	Interest	Principal
	2019	2019	2019	2018	2018	2018
	£000	£000	£000	£000	£000	£000
Less than one year	839	92	747	1,729	202	1,527
One to two years	379	29	350	723	58	665
Two to five years	141	6	135	519	36	483
	<u>1,359</u>	<u>127</u>	<u>1,232</u>	<u>2,971</u>	<u>296</u>	<u>2,675</u>

COMPANY	Payment	Interest	Principal	Payment	Interest	Principal
	2019	2019	2019	2018	2018	2018
	£000	£000	£000	£000	£000	£000
Less than one year	529	64	465	1,201	145	1,056
One to two years	241	29	212	521	58	463
Two to five years	46	6	40	284	35	249
	<u>816</u>	<u>99</u>	<u>717</u>	<u>2,006</u>	<u>238</u>	<u>1,768</u>

## 16. FINANCIAL INSTRUMENTS

During the year the Group had sixteen interest rate swaps to fix interest rates on a proportion of the revolving credit facility. Details are as follows:

Start date	Finish date	Notional Debt value	Fixed margin
June 2015	June 2018	5,000,000	1.045%
September 2015	September 2018	5,000,000	1.120%
December 2015	December 2018	7,500,000	1.200%
August 2016	August 2019	2,500,000	0.290%
August 2016	August 2019	2,500,000	0.290%
August 2016	August 2019	4,000,000	0.290%
August 2016	August 2019	3,500,000	0.290%
October 2016	October 2019	2,500,000	0.290%
October 2016	October 2019	2,500,000	0.290%
April 2017	April 2020	4,500,000	0.486%
April 2017	April 2020	4,500,000	0.488%
March 2018	March 2021	8,000,000	1.170%
March 2018	March 2021	8,000,000	1.160%
April 2018	April 2021	12,000,000	1.154%
May 2018	May 2021	5,000,000	0.930%
September 2018	September 2021	5,000,000	0.980%

Since the year end the Group has taken out two further interest rate swaps:

Start date	Finish date	Notional Debt value	Fixed margin
August 2019	August 2022	5,000,000	0.890%
August 2019	August 2022	5,000,000	0.884%

All of the swaps are effective cash flow hedges and the movements in fair values have been taken to equity. Fair values of these derivatives have been determined by the respective counterparties based on quoted prices in active markets for identical assets and liabilities.

The Group had six foreign exchange hedges to reduce the risk of foreign exchange fluctuations between US dollars and Sterling in the year ended 31 March 2019. It also has further foreign exchange hedges between US dollars and Sterling covering the period from 1 April 2019 to 30 June 2020. All the exchange rate hedges are effective cash flow hedges and movements in fair value have been taken to equity.

# Notes

## 16. FINANCIAL INSTRUMENTS (continued)

An analysis of fair values by hierarchy level is provided below:

Liabilities/(assets) measured at fair value:

	31 March 2019				31 March 2018
	Total £000	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities/(assets) at fair value:					
Interest rate swaps	295	-	295	-	(167)
Forward exchange rate agreements	29	-	29	-	(187)
	<u>324</u>	<u>-</u>	<u>324</u>	<u>-</u>	<u>(354)</u>

The values are based on the amount the Group would pay/receive from the bank in order to settle the instruments at the year end.

The movements in liabilities are reconciled below:

	31 March 2019		
	Interest rate swaps £000	Forward exchange rate agreements £000	Total £000
Opening asset	(167)	(187)	(354)
Other comprehensive income	462	152	614
Recycled to income statement	0	64	64
Closing liability	<u>295</u>	<u>29</u>	<u>324</u>

There have been no transfers between levels of the fair value hierarchy.

There are no material differences between the carrying value and the fair value of the Group's other financial instruments including trade debtors and trade creditors. The risks associated with interest rate and foreign exchange rate management are discussed in the Capital Structure and Treasury section of the Financial Review on pages 16 and 17 and the Principal Risks and Uncertainties on page 21, as are the risks relating to credit and currency management and the capital management of the Group.

### Financial Instrument Sensitivity Analysis

Ten percent movements in Sterling exchange rates and interest rates in the current and prior year would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Equity and Profit/(Loss)	
	2019 £000	2018 £000
<b>10% strengthening of Sterling against:</b>		
US Dollar	126	128
Australian Dollar	(81)	(145)
Singapore Dollar	62	56
Euro	(237)	136
<b>10% weakening of Sterling against:</b>		
US Dollar	(153)	(154)
Australian Dollar	99	177
Singapore Dollar	(76)	(69)
Euro	290	(152)
<b>10% movement in Sterling interest rates:</b>		
Increase in interest rates	(255)	(199)
Decrease in interest rates	255	199

The exposure of the Group to other foreign exchange rate movements is not significant and therefore is not presented in the analysis above.

# Notes

## 17. TRADE AND OTHER PAYABLES

Current liabilities	Group		Company	
	2019	2018 Restated*	2019	2018
	£000	£000	£000	£000
Trade payables	28,934	31,385	7,360	9,525
Amounts owed to subsidiary undertakings	-	-	29,265	27,939
Other taxes and social security	9,623	7,204	2,479	1,808
Other payables	11,527	7,147	370	46
Accruals and deferred income	31,636	24,719	18,548	12,277
	<b>81,720</b>	<b>70,455</b>	<b>58,022</b>	<b>51,595</b>

Within Group and Company other payables is £0.3 million (2018: £Nil million) in relation to interest rate swaps and foreign exchange rate agreements which are valued at fair value. In addition within accruals is £2.8 million (2018: £1.8 million) in relation to the liability for cash settled share options which are also valued at fair value. All other liabilities are valued at amortised cost. There are no material liabilities in relation to contracts with customers. Amounts owed to subsidiary undertakings are repayable on demand, unsecured and interest free. Within accruals is £4.5 million (2018: Nil) in relation to regulatory review costs provision referred to in note 4.

\*The restatement of prior year balances is disclosed in note 26.

### Non current liabilities

Amounts owed to subsidiary undertakings	-	-	<b>6,437</b>	<b>3,765</b>
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## 18. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

GROUP	Note	Property, plant and equipment £000	Intangible assets £000	Employee benefits £000	Other items £000	Total £000
1 April 2017		6,902	1,955	(1,197)	(795)	6,865
Recognised on acquisition		(299)	4,300	-	(15)	3,986
Recognised in income statement		(735)	(466)	(414)	(65)	(1,680)
Recognised in equity	8	(8)	-	208	-	200
Foreign exchange		(1)	112	(68)	(74)	(31)
At 31 March 2018		5,859	5,901	(1,471)	(949)	9,340
Recognised in income statement		97	(486)	(366)	154	(601)
Recognised in reserves		(1)	-	98	-	97
Recognised in equity	8	-	-	(444)	-	(444)
Foreign exchange		12	1	-	1	14
<b>At 31 March 2019</b>		<b>5,967</b>	<b>5,416</b>	<b>(2,183)</b>	<b>(794)</b>	<b>8,406</b>
COMPANY	Note	Property, plant and equipment £000	Intangible assets £000	Employee benefits £000	Other items £000	Total £000
1 April 2017		5,679	401	(775)	(205)	5,100
Recognised on acquisition		1,968	109	-	(24)	2,053
Recognised in income statement		(203)	166	(382)	(45)	(464)
Recognised in equity		(8)	-	180	-	172
At 31 March 2018		7,436	676	(977)	(274)	6,861
Recognised in income statement		485	(20)	(360)	59	164
Recognised in reserves		(1)	-	100	-	99
Recognised in equity		-	-	(444)	-	(444)
<b>At 31 March 2019</b>		<b>7,920</b>	<b>656</b>	<b>(1,681)</b>	<b>(215)</b>	<b>6,680</b>

Deferred tax assets have been recognised on employee benefits and other items on the basis that there will be future taxable profits against which these assets can be utilised. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the net balance.

# Notes

## 19. CAPITAL AND RESERVES

	2019 £000	2018 £000
<b>Ordinary share capital</b>		
<b>Allotted, called up and fully paid</b>		
40,154,253 Ordinary shares of 5 pence each (2018: 40,154,253)	<u>2,008</u>	<u>2,008</u>

All shares have the same voting rights.

### Reserves

Full details of reserves are provided in the consolidated and parent company statements of changes in equity on pages 58 and 59. The prior year hive up reserve relates to the post acquisition retained reserves of TPA Portable Roadways Limited and has been recognised in the reserves of Vp plc as a result of the transfer of the business and assets of TPA Portable Roadways to Vp plc on 1 April 2017.

### Own shares held

Deducted from retained earnings (Group and Company) is £5,432,000 (2018: £5,067,000) in respect of own shares held by the Vp Employee Trust. The Trust acts as a repository of issued Company shares and held 524,000 shares (2018: 616,000) with a market value at 31 March 2019 of £5,500,000 (2018: £5,236,000).

## 20. DIVIDENDS

	2019 £000	2018 £000
Amounts recognised as distributions to equity holders of the Parent in the year:		
Ordinary shares:		
Final paid 19.2p (2018: 16.0p) per share	<b>7,606</b>	6,286
Interim paid 8.2p (2018: 6.8p) per share	<b>3,247</b>	2,697
	<u><b>10,853</b></u>	<u>8,983</u>

The dividend paid in the year is after dividends were waived to the value of £109,000 (2018: £172,000) in relation to shares held by the Vp Employee Trust. These dividends will continue to be waived in the future.

In addition the directors are proposing a final dividend in respect of the current year of 22.00p per share which will absorb an estimated £8,721,000 of shareholders' funds. The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## 21. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share of 65.20 pence (2018: 61.72 pence) was based on the profit attributable to equity holders of the Parent of £25,822,000 (2018: £24,366,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2019 of 39,603,000 (2018: 39,476,000), calculated as follows:

	2019 Shares 000s	2018 Shares 000s
Issued ordinary shares	<b>40,154</b>	40,154
Effect of own shares held	<b>(551)</b>	(678)
Weighted average number of ordinary shares	<u><b>39,603</b></u>	<u>39,476</u>

Basic earnings per share before the amortisation of intangibles and exceptionals was 95.14 pence (2018: 84.91 pence) and is based on an after tax add back of £11,855,000 (2018: £9,154,000) in respect of the amortisation of intangibles and exceptionals.

# Notes

## 21. EARNINGS PER SHARE (continued)

### Diluted earnings per share

The calculation of diluted earnings per share of 63.66 pence (2018: 60.95 pence) was based on profit attributable to equity holders of the Parent of £25,822,000 (2018: £24,366,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2019 of 40,564,000 (2018: 39,976,000), calculated as follows:

	<b>2019</b>	2018
	<b>Shares</b>	Shares
	<b>000s</b>	000s
Weighted average number of ordinary shares	<b>39,603</b>	39,476
Effect of share options	<b>961</b>	500
Weighted average number of ordinary shares (diluted)	<b><u>40,564</u></b>	<u>39,976</u>

Diluted earnings per share before the amortisation of intangibles and exceptionals was 92.88 pence (2018: 83.85 pence).

## 22. SHARE OPTION SCHEMES

### SAYE Scheme

During the year options over a further 391,612 shares were granted under the SAYE scheme at a price of 808 pence. The outstanding options at the year end were:

Date of Grant	Price per share	Number of shares
July 2015	620p	2,175
July 2016	600p	242,082
July 2017	696p	260,912
July 2018	808p	360,412
		<u>865,581</u>

All the options are exercisable between 3 and 3.5 years. At 31 March 2019 there were 1182 employees saving an average £142 per month in respect of options under the SAYE scheme. The only SAYE scheme condition is continuous employment over the term of the option.

### Approved Share Option Scheme

Options over a further 150,150 shares were granted during the year at a price of 1030 pence. The options outstanding at the year end were:

Date of Grant	Price per share	Number of shares
July 2009	154.0p	1,640
July 2011	249.5p	4,000
July 2012	266.5p	7,000
July 2013	389.0p	7,550
July 2014	680.0p	28,650
July 2015	770.0p	61,100
July 2016	657.0p	129,200
July 2017	870.0p	118,200
July 2018	1030.0p	143,250
		<u>500,590</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2016 to 2018 are subject to achievement of performance targets over a three year period. The awards for 2015 and prior are vested, but not yet exercised.

# Notes

## 22. SHARE OPTION SCHEMES (continued)

### Unapproved Share Option Scheme

Options over 380,850 shares were granted during the year at a price of 1030 pence. The options outstanding at the year end were:

Date of Grant	Price per share	Number of shares
July 2011	249.5p	8,000
July 2012	266.5p	51,250
July 2013	389.0p	66,200
July 2014	680.0p	120,200
July 2015	770.0p	152,300
July 2016	657.0p	450,000
July 2017	870.0p	362,200
July 2018	1030.0p	370,750
		<u>1,580,900</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2016 to 2018 are subject to achievement of performance targets over a three year period. The awards for 2015 and prior are vested, but not yet exercised.

### Long-Term Incentive Plan

Awards were made during the year in relation to a further 222,500 shares. Shares outstanding at the year end were:

Date of Grant	Number of shares
July 2014	218,600
July 2015	209,700
July 2016	328,000
July 2017	262,200
July 2018	222,500
	<u>1,241,000</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2016 to 2018 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 35. The awards for 2015 and prior are vested, but not yet exercised.

### Share Matching

No awards were made during the year in relation to shares. Shares outstanding at the year end were:

Date of Grant	Number of shares
August 2009	4,100
August 2010	5,231
August 2011	4,000
July 2012	6,000
August 2013	10,250
July 2014	22,000
August 2015	19,300
August 2016	21,400
	<u>92,281</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2016 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 35. The awards for 2015 and prior are vested, but not yet exercised.

Awards under the above schemes will be generally made utilising shares owned by the Vp Employee Trust.

The market value of the ordinary shares at 31 March 2019 was 1050 pence (2018: 850 pence), the highest market value in the year to 31 March 2019 was 1230 pence and the lowest 820 pence. The average share price during the year was 1025 pence.



# Notes

## 22. SHARE OPTION SCHEMES (continued)

The number and weighted average exercise price of share options is as follows:

	2019		2018	
	Weighted average exercise price	Number of options 000s	Weighted average exercise price	Number of options 000s
Outstanding at beginning of the year	479p	4,139	447p	3,779
Lapsed during the year	749p	(214)	663p	(207)
Exercised during the year	536p	(790)	476p	(570)
Granted during the year	754p	1,145	617p	1,137
Outstanding at the end of the year	<u>528p</u>	<u>4,280</u>	<u>479p</u>	<u>4,139</u>
Exercisable at the year end	<u>311p</u>	<u>1,009</u>	<u>330p</u>	<u>947</u>

The options outstanding at 31 March 2019 have an exercise price in the range of 0.0p to 1030.0p and have a weighted average life of 2.3 years.

For options granted, the fair value of services received in return for share options granted are measured by reference to the fair value of those share options. The fair value for the approved, unapproved and SAYE options are measured using the Black-Scholes model and the LTIP and share matching schemes are valued using a discounted grant price method. Cash settled options are valued at their fair value at each year end. The assumptions used to value the probable options granted during the year were in the following ranges:

	2019	2018
Weighted average fair value per share	279.2p	274.4p
Share price at date of grant	1010.0p to 1080.0p	870.0p
Exercise price (details provided above)	0.0p to 1030.0p	0.0p to 870.0p
Expected volatility	18.6% to 20.0%	11.0% to 11.1%
Option life	3 to 10 years	3 to 10 years
Expected dividend yield	2.4% to 2.6%	2.8%
Risk free rate	0.50%	0.25%

The expected volatility is based on historic volatility which is based on the latest three years' share price data.

The cost of share options charged to the Income Statement is shown in note 5.

The total carrying amount of cash settled transaction liabilities including associated national insurance at the year end was £2,817,000 (2018: £1,754,000). £1,545,000 of this liability had vested at the year end (2018: £660,000).

## 23. OPERATING LEASES

The total remaining cost of non-cancellable operating leases is payable as follows:

	2019		2018	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<b>GROUP</b>				
Operating leases which expire:				
Within one year	10,674	9,764	9,145	10,601
In the second to fifth years inclusive	28,391	12,792	25,002	13,997
Over five years	19,155	-	16,776	33
	<u>58,220</u>	<u>22,556</u>	<u>50,923</u>	<u>24,631</u>
<b>COMPANY</b>				
Operating leases which expire:				
Within one year	1,121	4,320	1,079	4,752
In the second to fifth years inclusive	2,421	5,925	2,676	6,377
Over five years	1,242	-	853	-
	<u>4,784</u>	<u>10,245</u>	<u>4,608</u>	<u>11,129</u>

# Notes

## 24. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment at the end of the financial year for which no provision has been made are as follows:

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Contracted	<u>10,758</u>	<u>8,349</u>	<u>6,956</u>	<u>4,743</u>

## 25. EMPLOYEE BENEFITS

### Defined benefit schemes

The details in this section of the note relate solely to the defined benefit arrangements and exclude any allowance for contributions in respect of death in service insurance premiums and expenses which are also borne by the Company.

The Group has two defined benefit pension schemes, the main scheme is the Vp pension scheme with a net present value surplus of £3.1 million (2018: £2.6 million). In addition, Torrent Trackage participate in a small section of the Railways Pension Scheme with a net present value obligation of £0.4 million (2018: £0.4 million). The two schemes are considered below.

#### Vp pension scheme

Vp plc operates a UK registered trust based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustee is responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out its powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme.

There are two categories of pension scheme member:

- Deferred members: former employees of the Company not yet in receipt of a pension
- Pension members: in receipt of pension.

The last active member (an employee of the Company accruing benefits in the Scheme) retired during the prior year.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgoings (allowing for revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The majority of benefits receive increases in deferment linked to inflation (subject to a cap of no more than 5% pa). The valuation method used is known as the Projected Unit Method. The approximate overall duration of the Scheme's defined benefit obligation as at 31 March 2019 was 11 years.

The Trustee is required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustee as at 31 March 2018. The valuation revealed a funding surplus of approximately £2,000,000. The Company therefore does not expect to pay any contributions into the Scheme during the accounting year beginning 1 April 2019. The difference between the actuarial valuation and the IAS 19 valuation reflects the different valuation dates, the last actuarial valuation was as at 31 March 2018, and the assumptions adopted. The actuarial valuation uses assumptions determined by the Scheme Trustees to evaluate the Scheme funding requirements on a triannual basis and the IAS 19 valuation uses assumptions that are chosen by the Company, but heavily prescribed by the accounting standard.

Through the Scheme, the Company is exposed to a number of risks:

- Asset volatility: the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Scheme invests some of the assets in diversified growth funds. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- Changes in bond yields: a decrease in corporate bond yields would increase the Scheme's defined benefit obligation.
- Inflation risk: a significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place).
- Life expectancy: if Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

The Trustee and Company manage risks in the Scheme through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: the Trustee is required to review its investment strategy on a regular basis.
- LDI: the Scheme invests in Liability Driven Investment (LDI) funds in order to control interest rate and inflation risks.

# Notes

## 25. EMPLOYEE BENEFITS (continued)

### *Torrent Railways pension scheme*

Torrent participates in a section of the Railways Pension Scheme (the "Section"), a UK registered trust based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustee is responsible for running the Section in accordance with the Section's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme.

There are three categories of pension scheme members in the Section:

- Active members: currently employed by the Company and accruing pension benefits
- Deferred members: former members of the Section not yet in receipt of pension
- Pensioner members: in receipt of pension.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgoings (allowing for future salary increases for active members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The majority of benefits receive increases linked to the CPI inflation. The valuation method used is known as the Projected Unit Method. The approximate overall duration of the Section's defined obligation as at 31 March 2019 was 21 years.

The Trustee is required to carry out an actuarial valuation every 3 years.

The last actuarial valuation for the Section was performed by the Scheme Actuary for the Trustee as at 31 December 2016. This valuation revealed a surplus in the Section of £7,000 on the Scheme Funding basis. The Company agreed to pay annual contributions of 20.9% pa of members' section pay prior to 30 June 2018, and 21.7% pa of members' pensionable salaries from 1 July 2018; all subject to the Omnibus rate as defined in the Rules. The Company expects to pay around £22,000 to the Section during the accounting year beginning 1 April 2019. The difference between the actuarial valuation and the IAS 19 valuation is due to the same principles as described in the Vp plc details above, albeit the last actuarial valuation was performed at 31 December 2016.

Through the Section, the Company is exposed to a number of risks:

- Asset volatility: the Section's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Section invests significantly in equities. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- Changes in bond yields: a decrease in corporate bond yields would increase the Section's defined benefit obligation, however, this would be partially offset by an increase in the value of the Section's assets.
- Inflation risk: a significant proportion of the Section's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the Section's assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit.
- Life expectancy: if Section members live longer than expected, the Section's benefits will need to be paid for longer, increasing the Section's defined benefit obligation.

The Trustee manages risks in the Section through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: the Trustee is required to review the investment strategy on a regular basis.

All actuarial gains and losses are recognised in the year in which they occur in the Statement of Comprehensive Income. From 1 April 2013 the Group and the Company have adopted IAS 19 revised as set out in the accounting policies in note 1.

Present value of net surplus	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Present value of defined benefit obligation	<b>(10,187)</b>	(10,388)	<b>(8,591)</b>	(8,902)
Fair value of scheme assets	<b>12,919</b>	12,618	<b>11,757</b>	11,523
Present value of net surplus	<b><u>2,732</u></b>	<u>2,230</u>	<b><u>3,166</u></b>	<u>2,621</u>

# Notes

## 25. EMPLOYEE BENEFITS (continued)

The movement in the defined benefit surplus is as follows:

Group	2019			2018		
	Present value of obligation £000	Fair value of assets £000	Total £000	Present value of obligation £000	Fair value of assets £000	Total £000
At beginning of year	(10,388)	12,618	2,230	(11,402)	13,330	1,928
Service costs	(98)	(48)	(146)	(56)	(4)	(60)
Interest (cost)/income	(265)	321	56	(273)	321	48
Re-measurements						
Actuarial gains: change in demographic assumptions	192	-	192	171	-	171
Actuarial (losses)/gains: change in financial assumptions	(287)	-	(287)	142	-	142
Actuarial gains/(losses): experience differing from that assumed	205	-	205	(13)	-	(13)
Actuarial gains/(losses): actual return on assets	-	468	468	-	(25)	(25)
Contributions: employer	-	14	14	-	39	39
Contributions: employees	(7)	7	-	(13)	13	-
Benefits paid	461	(461)	-	1,056	(1,056)	-
	<u>(10,187)</u>	<u>12,919</u>	<u>2,732</u>	<u>(10,388)</u>	<u>12,618</u>	<u>2,230</u>

Company	2019			2018		
	Present value of obligation £000	Fair value of assets £000	Total £000	Present value of obligation £000	Fair value of assets £000	Total £000
At beginning of year	(8,902)	11,523	2,621	(9,885)	12,286	2,401
Service costs	(68)	(42)	(110)	(16)	-	(16)
Interest (cost)/income	(226)	293	67	(235)	295	60
Re-measurements						
Actuarial gains: change in demographic assumptions	160	-	160	137	-	137
Actuarial (losses)/gains: change in financial assumptions	(190)	-	(190)	109	-	109
Actuarial gains/(losses): experience differing from that assumed	192	-	192	(12)	-	(12)
Actuarial gains/(losses): actual return on assets	-	426	426	-	(78)	(78)
Contributions: employer	-	-	-	-	20	20
Contributions: employees	-	-	-	(3)	3	-
Benefits paid	443	(443)	-	1,003	(1,003)	-
	<u>(8,591)</u>	<u>11,757</u>	<u>3,166</u>	<u>(8,902)</u>	<u>11,523</u>	<u>2,621</u>

Expense/(income) recognised in the Income Statement	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Service costs	104	60	68	16
Net interest	(56)	(48)	(67)	(60)
	<u>48</u>	<u>12</u>	<u>1</u>	<u>(44)</u>

Included within service costs are past service costs of £68,000 (2018: £Nil) related to the GMP equalisation.

These expenses/(income) are recognised in the following line items in the Income Statement:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Cost of sales	104	60	68	16
Administrative expenses	(56)	(48)	(67)	(60)
	<u>48</u>	<u>12</u>	<u>1</u>	<u>(44)</u>

# Notes

## 25. EMPLOYEE BENEFITS (continued)

### Amount recognised in other comprehensive income

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Actuarial gains on defined benefit obligation	68	300	120	234
Actual return on assets less interest	468	(25)	426	(78)
Amount recognised in other comprehensive income	<u>536</u>	<u>275</u>	<u>546</u>	<u>156</u>

Cumulative actuarial net losses reported in the statement of comprehensive income since 1 April 2004, the transition to adopted IFRSs, for the Group are £898,000 (2018: £1,434,000), Company £558,000 (2018: £1,104,000).

### Scheme assets and returns

The fair value of the scheme assets and the return on those assets were as follows:

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Fair value of assets</b>				
Diversified growth funds	3,545	7,930	3,545	7,930
Equities and other growth assets	1,023	962	-	-
Bonds and cash	5,548	723	5,409	590
Liability driven investments (LDI)	2,803	3,003	2,803	3,003
	<u>12,919</u>	<u>12,618</u>	<u>11,757</u>	<u>11,523</u>
<b>Returns</b>				
Actual return on scheme assets	<u>789</u>	<u>296</u>	<u>719</u>	<u>217</u>

None of the fair values of the assets shown above include any of the Company's own financial instruments or any property occupied by or other assets used by the Company. All assets listed above have a quoted market price in an active market. The Scheme invests in the "Matching Core" range of LDI funds provided by Legal & General Investment Management (LGIM) (the Scheme's investment manager). These are unit-linked, pooled investment vehicles, with a quoted unit price. The market value for the purposes of the accounts was provided by LGIM and was the bid-value of the funds at the accounting date.

The funds invest in leveraged gilts and swaps to provide leveraged interest rate exposure. The leverage of the funds currently range from around 2.5x to 4.5x.

### Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are:

	Group and Company	
	2019	2018
Inflation	3.4%	3.3%
Discount rate at 31 March	2.4%	2.6%
Expected future salary increases	3.4%	3.3%
Expected future pension increases	3.3%	3.2%
Revaluation of deferred pensions	2.4%	3.3%

Mortality rate assumptions adopted at 31 March 2019, based on S2PA CMI Model 2018, imply the following life expectations on retirement at age 65 for:

	2019	2018
Male currently aged 45	23 years	23 years
Female currently aged 45	25 years	25 years
Male currently aged 65	22 years	22 years
Female currently aged 65	23 years	24 years

# Notes

## 25. EMPLOYEE BENEFITS (continued)

### History of schemes

The history of the schemes for the current and prior years is as follows:

Group	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Present value of defined benefit obligation	<b>(10,187)</b>	(10,388)	(11,402)	(9,058)	(9,345)
Fair value of plan assets	<b>12,919</b>	12,618	13,330	10,592	10,388
Present value of net surplus	<b>2,732</b>	2,230	1,928	1,534	1,043
<b>Company</b>	<b>2019 £000</b>	2018 £000	2017 £000	2016 £000	2015 £000
Present value of defined benefit obligation	<b>(8,591)</b>	(8,902)	(9,885)	(9,058)	(9,345)
Fair value of plan assets	<b>11,757</b>	11,523	12,286	10,592	10,388
Present value of net surplus	<b>3,166</b>	2,621	2,401	1,534	1,043

### Gains/(losses) recognised in statement of comprehensive income

Group	2019	2018	2017	2016	2015
Difference between expected and actual return on scheme assets:					
Amount (£000)	<b>468</b>	(25)	1,948	(3)	1,071
Percentage of scheme assets	<b>3.6%</b>	(0.2%)	14.6%	0.0%	10.3%
Experience gains and losses arising on the scheme liabilities:					
Amount (£000)	<b>205</b>	(13)	48	(199)	-
Percentage of present value of scheme liabilities	<b>2.0%</b>	(0.1%)	0.4%	(2.2%)	0.0%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:					
Amount (£000)	<b>(95)</b>	313	(1,361)	324	(1,126)
Percentage of present value of scheme liabilities	<b>(0.9%)</b>	3.0%	(11.9%)	3.6%	(12.0%)
Recognition of Railways pension scheme					
Amount (£000)	-	-	(269)	-	-
Percentage of present value of scheme liabilities	<b>(0.0%)</b>	(0.0%)	(2.4%)	0.0%	0.0%
Total amount recognised in statement of comprehensive income:					
Amount (£000)	<b>536</b>	275	366	122	(55)
Percentage of present value of scheme liabilities	<b>5.3%</b>	2.6%	3.2%	1.3%	(0.6%)
<b>Company</b>	<b>2019</b>	2018	2017	2016	2015
Difference between expected and actual return on scheme assets:					
Amount (£000)	<b>426</b>	(78)	1,836	(3)	1,071
Percentage of scheme assets	<b>3.6%</b>	(0.7%)	14.9%	0.0%	10.3%
Experience gains and losses arising on the scheme liabilities:					
Amount (£000)	<b>192</b>	(12)	27	(199)	-
Percentage of present value of scheme liabilities	<b>2.2%</b>	(0.1%)	0.3%	(2.2%)	0.0%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:					
Amount (£000)	<b>(30)</b>	246	(1,048)	324	(1,126)
Percentage of present value of scheme liabilities	<b>(0.3%)</b>	2.8%	(10.6%)	3.6%	(12.0%)
Total amount recognised in statement of comprehensive income:					
Amount (£000)	<b>546</b>	156	815	122	(55)
Percentage of present value of scheme liabilities	<b>6.4%</b>	1.8%	8.2%	1.3%	(0.6%)

# Notes

## 25. EMPLOYEE BENEFITS (continued)

### Sensitivity analysis

The sensitivity of the net pension asset/obligation to assumptions is set out below:

#### Vp plc scheme

Assumption	Change in assumption	Change in defined benefit obligation
Discount rate	+/- 0.5% pa	-/+5%
RPI inflation	+/- 0.5% pa	+/- 2%
Assumed life expectancy	+ 1 year	+4%

#### Torrent Railways scheme

Assumption	Change in assumption	Change in defined benefit obligation
Discount rate	+/- 0.5% pa	-10%/+11%
RPI inflation	+/- 0.5% pa	+11%/-9%
Assumed life expectancy	+ 1 year	+3%

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

#### Defined contribution plans

The Group also operates defined contribution schemes for other eligible employees, the main schemes being the Vp money purchase scheme and the Legal and General Stakeholder Scheme. The assets of the schemes are held separately from those of the Group. The pension cost represents contributions payable by the Group and amounted to £1,751,000 (2018: £1,043,000) in the year.

## 26. BUSINESS COMBINATIONS

The Group acquired the following businesses from 1 April 2017 to 31 March 2019:

Name of acquisition	Date of acquisition	Type of acquisition	Acquired by
FNPR Holdings Limited	9 November 2017	Share purchase (100% equity)	Vp plc
Brandon Hire Group Holdings Limited	7 November 2017	Share purchase (100% equity)	Vp plc
Zenith Survey Equipment Limited	20 April 2017	Share purchase (100% equity)	Hire Station Limited
Jackson Mechanical Services	1 April 2017	Business and assets	Hire Station Limited

# Notes

## 26. BUSINESS COMBINATIONS (continued)

Details of the acquisitions are provided below:

	<b>Group</b>			
	<b>2019</b>	2018	2018	2018
	<b>Total</b>	Brandon Restated*	Others Restated*	Total Restated*
	<b>£000</b>	£000	£000	£000
Property, plant and equipment	-	20,223	5,915	26,138
Current assets	-	14,127	3,202	17,329
Net debt	-	(27,464)	(3,008)	(30,472)
Tax, trade and other payables	-	(11,631)	(2,070)	(13,701)
<b>Fair value of net assets</b>	<b>-</b>	<b>(4,745)</b>	<b>4,039</b>	<b>(706)</b>
<b>Fair value adjustments</b>				
Intangibles on acquisition	-	22,536	2,756	25,292
Deferred tax on intangibles	-	(3,831)	(469)	(4,300)
<b>Fair value of assets acquired</b>	<b>-</b>	<b>13,960</b>	<b>6,326</b>	<b>20,286</b>
Goodwill on acquisition	-	27,712	1,813	29,525
<b>Cost of acquisitions</b>	<b>-</b>	<b>41,672</b>	<b>8,139</b>	<b>49,811</b>
<b>Satisfied by</b>				
Cash consideration	-	41,672	8,139	49,811
<b>Analysis of cash flow for acquisitions</b>				
Cash consideration	-	41,672	8,139	49,811
Net (cash)/overdraft in acquisitions	-	(738)	587	(151)
	<b>-</b>	<b>40,934</b>	<b>8,726</b>	<b>49,660</b>

\*The restatement of prior year balances reflects the completed fair value assessment of the Brandon Hire acquisition during the measurement period in line with IFRS 3(revised) for £2,248,000 related to reductions in property, plant and equipment (£1,643,000); inventories (£42,000); trade and other receivables (£43,000) and increase in trade and other payables (£556,000). In addition, a correction of the fair value classification of other acquisitions for £556,000 has been adjusted related to a decrease within land and buildings.

The fair value assessment of the acquired net assets for the Brandon acquisition was completed during the current fiscal year. The fair value of assets acquired generally reflects the book value of assets in the acquired company/business, however the key adjustment to the acquired Brandon Hire Group Holdings Limited assets was to bring the value of hire fleet in line with the depreciation policy used within Hire Station Limited, our existing tool hire business.

The acquisitions in the prior year were made to grow market share and expand the product range. Intangibles were identified in relation to the acquisitions in the year ended 31 March 2018 relate to customer lists and brand names. The amortisation periods for these intangibles are set out in note 1. The goodwill arising on acquisition is primarily attributable to the expected operational synergies within the Group's businesses. The acquisition costs expensed in the year ended 31 March 2019 in relation to these acquisitions were £Nil million (2018: £1,288,000).

### Pro forma full year information

IFRS3 (revised) requires disclosure of information as to the impact on the financial statements if material acquisitions had occurred at the beginning of the accounting year.

The unaudited pro forma summary below presents the Group as if the acquisition of Brandon had been acquired on 1 April 2017.

The pro forma amounts include the results of the acquisitions and the interest expense on the increase in net debt as a result of the acquisition. The pro forma amounts do not include any possible synergies from the acquisition. The pro forma information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results.

	<b>2018</b>
	<b>£000</b>
Revenue	351,796
Profit before taxation	32,379

As the other acquisitions were not material to the trading performance of the Group, the disclosure of the revenue or profit for the combined entity, if the business combination had occurred on 1 April 2017, disclosed above does not include the other acquisitions.



# Notes

## 27. RELATED PARTIES

Material transactions with key management (being the directors of the Group) mainly constitute remuneration including share based payments, details of which are included in the Remuneration Report on pages 32 to 45 and in note 6 to the Financial Statements.

### Trading transactions with subsidiaries – Group

Transactions between the Company and the Group's subsidiaries, which are related parties, have been eliminated on consolidation and are therefore not disclosed.

### Trading transactions with subsidiaries – Parent Company

The Company enters into transactions with its subsidiary undertakings in respect of the following:

- Internal funding loans
- Provision of Group services (including Senior Management, IT, Group Finance, Group HR, Group Properties and Shared Service Centre)
- Rehire of equipment on commercial terms

Recharges are made for Group services based on the utilisation of those services. In addition to these services the Company acts as a buying agent for certain Group purchases such as insurance and IT services. These are recharged based on utilisation by the subsidiary undertaking.

The amount outstanding from subsidiary undertakings to the Company at 31 March 2019 totalled £98,282,000 (2018: £93,957,000). Amounts owed to subsidiary undertakings by the Company at 31 March 2019 totalled £35,702,000 (2018: £31,704,000).

The Company and certain subsidiary undertakings have entered into cross guarantees of bank loans and overdrafts to the Company. The total value of such borrowings at 31 March 2019 was £179.0 million (2018: £186.0 million).

## 28. 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 or required under accounting standard IAS 37.

## 29. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 9 May 2019 the Company acquired 100% of the issued share capital of Sandhurst Limited ("Sandhurst") for a cash consideration of £3.3 million. Sandhurst is engaged in the rental of specialist excavator attachments to the construction and civil engineering sectors. The acquisition will complement the Group's piling division within Groundforce and expand product range. The financial effects of this transaction have not been recognised at 31 March 2019. The operating results and assets and liabilities of Sandhurst will be consolidated from 9 May 2019. On the basis that the initial accounting for the business combination is incomplete at the time these financial statements are authorised for issuance, it is not yet possible to include the relevant IFRS 13 disclosures.

## 30. ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Ackers P Investment Company Limited which is the ultimate parent company incorporated in Great Britain. Consolidated accounts are prepared for this company. Ackers P Investment Company Limited is ultimately controlled by a number of Trusts of which, for the purposes of Sections 252 to 255 of the Companies Act 2006, Jeremy Pilkington is deemed to be a connected person.

# Notes

## 31. SUBSIDIARY UNDERTAKINGS

The investments in trading subsidiary undertakings as at 31 March 2019 are:

	<b>Country of Registration or Incorporation</b>	<b>Principal Activity</b>	<b>Country of Principal Operation</b>	<b>Class and Percentage of Shares Held</b>
Torrent Trackside Limited	England	Rail equipment hire	UK	Ordinary shares 100%
Hire Station Limited	England	Tool hire	UK	Ordinary shares 100%
Airpac Bukom Oilfield Services Pte Limited	Singapore	Oilfield services	Singapore	Ordinary shares 100%
Airpac Bukom Oilfield Services (Curacao) NVA	Curacao	Oilfield services	Curacao	Ordinary shares 100%
Airpac Bukom Oilfield Services Middle East FZE	Sharjah	Oilfield services	Sharjah	Ordinary shares 100%
Airpac Bukom Oilfield Services (Australia) Pty Limited	Australia	Oilfield services	Australia	Ordinary shares 100%
Vp GmbH	Germany	Equipment hire	Germany	Ordinary shares 100%
Vp Equipment Rental (Ireland) Limited	Ireland	Equipment hire	Ireland	Ordinary shares 100%
Vp Equipment Rental Pty Limited	Australia	Holding company	Australia	Ordinary shares 100%
TR Group Pty Limited	Australia	Equipment hire	Australia	Ordinary shares 100%
VMS International Pty Limited	Australia	Equipment hire	Australia	Ordinary shares 100%
Tech Rentals (Malaysia) SDN BHD	Malaysia	Equipment hire	Malaysia	Ordinary shares 100%
Vidcom New Zealand Limited	New Zealand	Equipment hire	New Zealand	Ordinary shares 100%
Brandon Hire Limited	England	Equipment hire	UK	Ordinary shares 100%

# Notes

## 31. SUBSIDIARY UNDERTAKINGS (continued)

The full list of the dormant subsidiary undertakings is:

	<b>Country of Registration or Incorporation</b>	<b>Principal Activity</b>	<b>Country of Principal Operation</b>	<b>Class and Percentage of Shares Held</b>
Stoppers Specialists Limited	England	Dormant	n/a	Ordinary shares 100%
Trench Shore Limited	England	Dormant	n/a	Ordinary shares 100%
UK Training Limited	England	Dormant	n/a	Ordinary shares 100%
Vibroplant Investments Limited	England	Dormant	n/a	Ordinary shares 100%
Bukom General Oilfield Services Limited	England	Dormant	n/a	Ordinary shares 100%
Fred Pilkington & Son Limited	England	Dormant	n/a	Ordinary shares 100%
Domindo Tool Hire Limited	England	Dormant	n/a	Ordinary shares 100%
Instant Tool Hire Limited	England	Dormant	n/a	Ordinary shares 100%
The Handi Hire Group Limited	England	Dormant	n/a	Ordinary shares 100%
Datum Survey Products	England	Dormant	n/a	Ordinary shares 100%
Power Tool Supplies Limited	England	Dormant	n/a	Ordinary shares 100%
Hire & Sales (Canterbury) Limited	England	Dormant	n/a	Ordinary shares 100%
Cool Customers Limited	England	Dormant	n/a	Ordinary shares 100%
Vibroplant Trustees Limited	England	Dormant	n/a	Ordinary shares 100%
Vibrobet Limited	England	Dormant	n/a	Ordinary shares 90%
UM (Holdings) Limited	England	Dormant	n/a	Ordinary shares 100%
Power Rental Services Limited	England	Dormant	n/a	Ordinary shares 100%
Rapid Response Barriers Limited	England	Dormant	n/a	Ordinary shares 100%
U Mole Limited	England	Dormant	n/a	Ordinary shares 100%
727 Plant Limited	England	Dormant	n/a	Ordinary shares 100%
Cannon Tool Hire Limited	England	Dormant	n/a	Ordinary shares 100%
MEP Hire Limited	Scotland	Dormant	n/a	Ordinary shares 100%
Arcotherm (UK) Limited	England	Dormant	n/a	Ordinary shares 100%
Saville Hire Limited	England	Dormant	n/a	Ordinary shares 100%
Vibroplant Limited	England	Dormant	n/a	Ordinary shares 100%
Mechanical Electrical Press Fittings Limited	Scotland	Dormant	n/a	Ordinary shares 100%
Mr Cropper Limited	England	Dormant	n/a	Ordinary shares 100%
Direct Instrument Hire Limited	England	Dormant	n/a	Ordinary shares 100%
Test & Measurement Hire Group Limited	England	Dormant	n/a	Ordinary shares 100%
Test & Measurement Hire Limited	England	Dormant	n/a	Ordinary shares 100%
Higher Access Limited	England	Dormant	n/a	Ordinary shares 100%
A.C.N. 098733638 Pty Limited	Australia	Dormant	n/a	Ordinary shares 100%
Zenith Survey Equipment Limited	England	Dormant	n/a	Ordinary shares 100%
Survey Connection Scotland Limited	England	Dormant	n/a	Ordinary shares 100%
Brandon Hire Group Limited	England	Dormant	n/a	Ordinary shares 100%
Brandon Hire Group Holdings Limited	England	Dormant	n/a	Ordinary shares 100%
FNPR Holdings Limited	England	Dormant	n/a	Ordinary shares 100%
First National Plant Rental Limited	England	Dormant	n/a	Ordinary shares 100%
TPA Portable Roadways Limited	England	Dormant	n/a	Ordinary shares 100%

# Notes

## 31. SUBSIDIARY UNDERTAKINGS (continued)

The registered offices of the companies are:

<b>Country of Registration</b>	<b>Registered Office Address</b>
England	Central House, Beckwith Knowle, Otley Road, Harrogate HG3 1UD
Scotland	Mugiemoos Road, Bucksburn, Aberdeen AB21 9NP
Singapore	9 Pioneer Sector 2, Singapore 628371
Curacao	Brionplein 4, Curacao, Netherlands Antilles
Sharjah	SAIF Office P8-13-10, PO Box 121378, Sharjah, United Arab Emirates
Australia	18 Joseph Street, Blackburn North, Victoria 3130
Germany	Lurgiallee 6-8, 60439 Frankfurt
Ireland	70 Sir John Rogerson's Quay, Dublin 2
Malaysia	Wisma Goshen, 2nd Floor, 60 & 62 Jalan SS22/21, Damansara Jaya, 47400 Petaling Jaya, Selangor Dami Ehsan
New Zealand	27 Exmouth Street, Eden Terrace, Auckland 101

The subsidiary companies listed below are exempt from the requirements of Companies' Act 2006 relating to the audit of individual accounts by virtue of section 479A of Companies' Act 2006.

<b>Company</b>	<b>Registered number</b>
Arcotherm (UK) Ltd	5137012
UM (holdings) Ltd	3683599
U-Mole Ltd	3181876
The Handi Hire Group Ltd	1398897
FNPR Holdings Ltd	05903105
First National Plant Rental Ltd	02143903

# Five Year Summary

	2015 £000	2016 £000	2017 £000	2018 £000	<b>2019 £000</b>
Revenue	<u>205,602</u>	<u>208,746</u>	<u>248,740</u>	<u>303,639</u>	<b><u>382,830</u></b>
Operating profit before amortisation and exceptionals	<u>28,780</u>	<u>31,891</u>	<u>37,757</u>	<u>44,018</u>	<b><u>51,571</u></b>
Profit before amortisation, taxation and exceptionals	<u>26,757</u>	<u>29,798</u>	<u>34,851</u>	<u>40,597</u>	<b><u>46,829</u></b>
Profit before taxation	25,073	27,500	30,339	30,814	<b>33,581</b>
Taxation	(5,202)	(5,112)	(6,687)	(6,448)	<b>(7,759)</b>
Profit after taxation	<u>19,871</u>	<u>22,388</u>	<u>23,652</u>	<u>24,366</u>	<b><u>25,822</u></b>
Dividends*	<u>(5,986)</u>	<u>(6,568)</u>	<u>(7,632)</u>	<u>(8,983)</u>	<b><u>(10,853)</u></b>
Share capital	2,008	2,008	2,008	2,008	<b>2,008</b>
Capital redemption reserve	301	301	301	301	<b>301</b>
Reserves	109,431	119,014	134,980	152,110	<b>166,549</b>
Total equity before non-controlling interest	<u>111,740</u>	<u>121,323</u>	<u>137,289</u>	<u>154,419</u>	<b><u>168,858</u></b>
<b>Share Statistics</b>					
Asset value	<u>278p</u>	<u>302p</u>	<u>342p</u>	<u>385p</u>	<b><u>421p</u></b>
Earnings (pre amortisation)	<u>54.45p</u>	<u>62.21p</u>	<u>69.52p</u>	<u>84.91p</u>	<b><u>95.14p</u></b>
Dividend**	<u>16.50p</u>	<u>18.85p</u>	<u>22.00p</u>	<u>26.00p</u>	<b><u>30.20p</u></b>
Times covered (pre amortisation)	<u>3.30</u>	<u>3.30</u>	<u>3.16</u>	<u>3.27</u>	<b><u>3.15</u></b>

\* Dividends under IFRS relate only to dividends declared in that year.

\*\* Dividends per share statistics are the dividends related to that year whether paid or proposed.

# Directors and Advisors

## Executive Directors

Jeremy F G Pilkington, B.A. Hons. (Chairman)

Neil A Stothard, M.A., F.C.A.

Allison M Bainbridge, M.A., F.C.A.

## Non-Executive Directors

Stephen Rogers, B.Sc., F.C.A., J.P.

Philip M White, B.Com, F.C.A., CBE

## Secretary

Allison M Bainbridge

## Registered Office

Central House, Beckwith Knowle,

Otley Road, Harrogate, North Yorkshire, HG3 1UD

Registered in England and Wales: No 481833

Telephone: 01423 533400

## Independent Auditors

PricewaterhouseCoopers LLP

Central Square, 29 Wellington Street, Leeds, LS1 4DL

## Solicitors

Squire Patton Boggs (UK) LLP

6 Wellington Place, Leeds LS1 4AP

## Registrars and Transfer Office

Link Asset Services, The Registry, 34 Beckenham Road,

Beckenham, Kent, BR3 4TU

## Bankers

HSBC Bank plc

Lloyds Bank plc

## Merchant Bankers

N M Rothschild & Sons Limited

## Stockbrokers

N +1 Singer

## Public Relations

Buchanan Communications