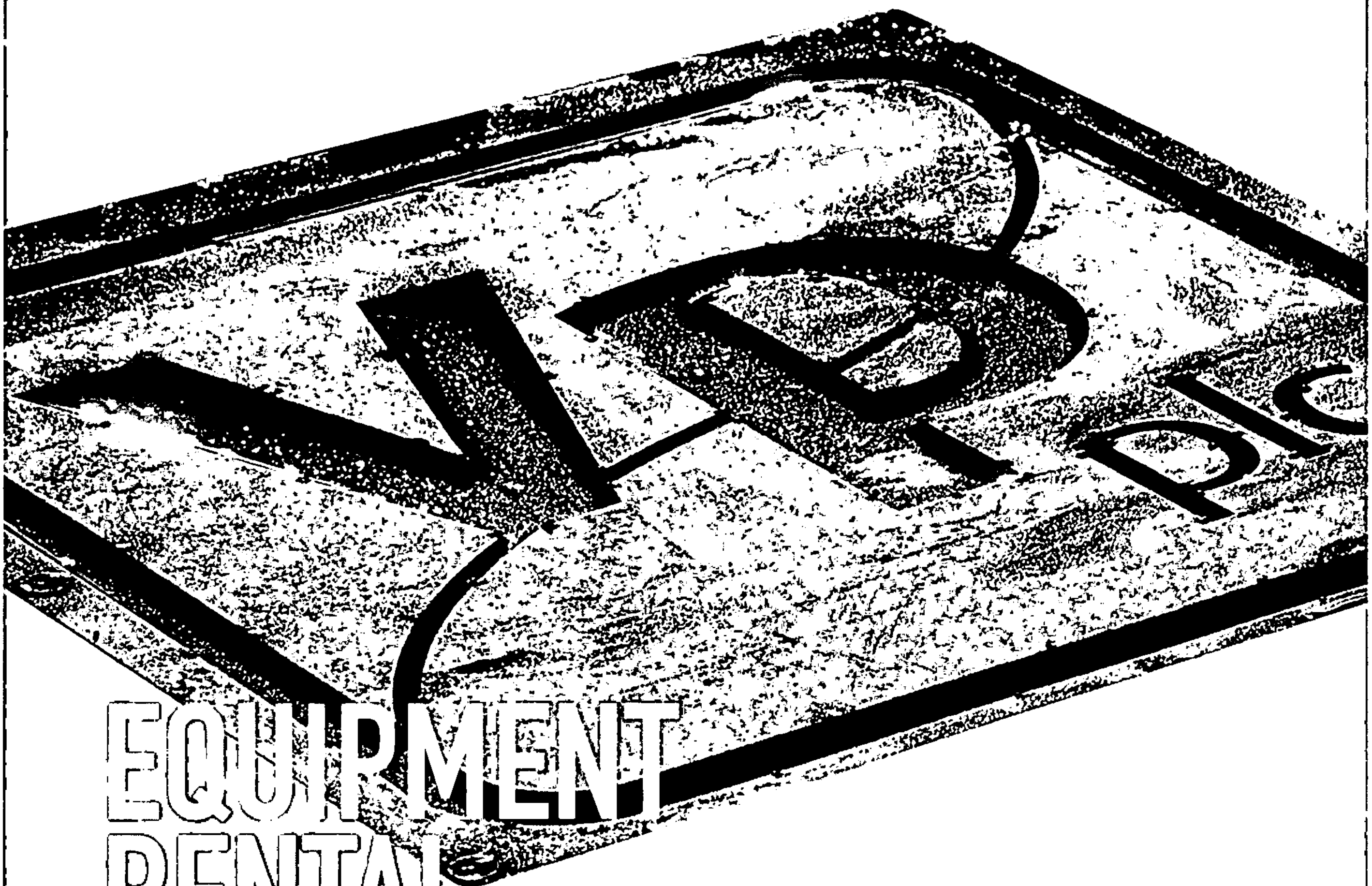
Company No. 00481833




# EQUIPMENT RENTAL SINCE 1954



ANNUAL REPORT AND ACCOUNTS 2018

www.vpplc.com

# In This Report

## Strategic Report



## Governance



## Financial Statements



## Shareholder Information

# About Us

Vp is a specialist rental business.

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 the UK and overseas.

## How we measure success (Key Performance Indicators)

| OBJECTIVE | Specialism and market leading positions | Value added services and operational excellence | Innovation | Asset management financial strength | People and safety |
|---|---|---|---|---|---|
| MEASURE | PBTA, revenue growth, margins | | | • ROACE<br>• EBITDA gearing<br>• Net debt<br>• Fleet spend | • Annualised employee turnover*<br>• Reportable accidents* |

*shown in CSR report

# Our Business Model and Strategy

## Our aim is to create sustainable value

### Resilient and proven model

- specialist equipment rental
- market leading positions in niche sectors
- diverse markets in UK and Overseas

### First class asset management

- buy quality products at competitive prices
- maintain assets through rental life cycles
- use strong balance sheet and cash generation for fleet growth and acquisitions

### Enhancing our offer

- embrace change and innovate
- take long term view
- continue to exceed customer expectations
- provide value added services

### Building on core attributes

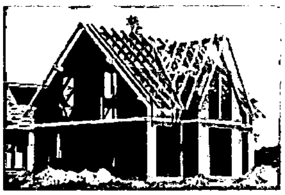
- retain and attract the best people
- safe and sustainable business
- product service reliability and operational excellence

## DIVERSE END MARKETS

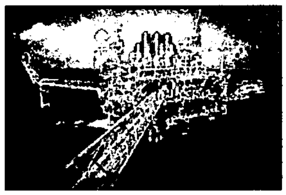
INFRASTRUCTURE

CONSTRUCTION

HOUSEBUILD



OIL AND GAS



## GEOGRAPHICAL COVERAGE

UK

EUROPE

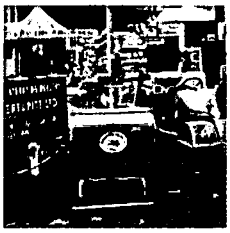
ASIA PACIFIC

# Over 60 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. At the same time it 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 the UK and increasingly, internationally.



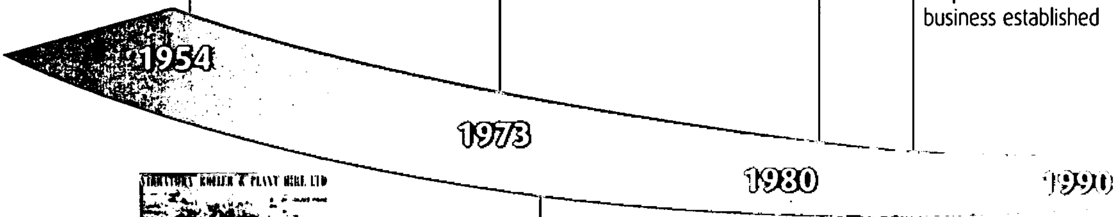

**1954**
Vibratory Roller & Plant Hire (Northern) Limited founded

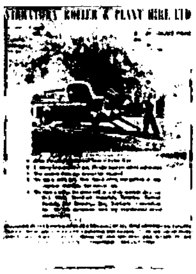
**1973**
Floated on main market as Vibroplant plc

**1980**
Shoring division established

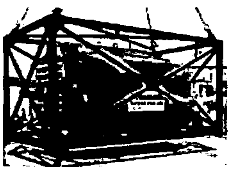

**1982**
US powered access business established

**1996**
Tool Hire:
Cannon Tool Hire acquired in 1996



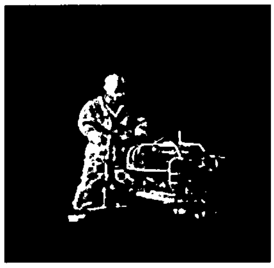
**1975**
First move into specialist plant - Airpac



**1990**
Groundforce acquired from SGB

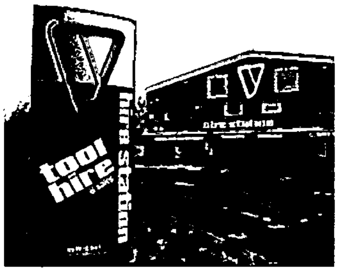
**1996**
Exit from USA; UK specialist businesses expanded

**1997**
Rail: Torrent Trackside acquired



| Revenue | 1970: £2m | 1980: £14m | 1990: £70m |
|---|---|---|---|

**2000**
UK Forks division created



**2001**
Hire Station formed through merger of five regional tool businesses

**2001**
Renamed Vp plc

**2002-2004**
Shoring expansion through acquisition of Mechplant, Trenchshore and Eve Shorco

**2005**
TPA and ESS acquired

**2006**
Acquisition of Bukom Oilfield Services (Airpac Bukom formed)

**2007**
Continuing growth in specialist areas via the acquisition of MEP

2009

**2010**
Geographical expansion: Global (Airpac Bukom), Eire (Groundforce), Germany (TPA)

**2011**
Mainland Europe - Groundforce

2011

**2013**
Acquisition of "Mr Cropper"

**2014**
Vp plc celebrated its 60th Anniversary

60 YEARS
Equipment Rental since 1954

**2016**
Acquisitions of Higher Access and TR Group

2016

**2017**
Acquisition of Brandon Hire

2018

2000: £55m
2010: £129m
2015: £206m
2018: £304m

# Group Businesses

## UK division

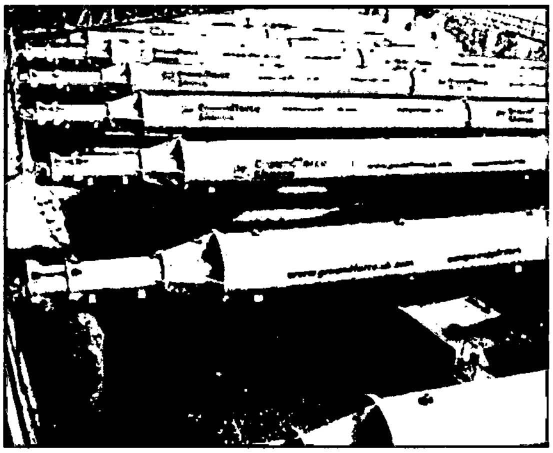
### Hire Station
Tools for Industry, Construction & DIY

BRANDONHire

Hire Station is a major national provider of small tools, climate, lifting, safety, survey, pressfitting and low level access equipment to industry, construction and homeowners throughout the UK. The division includes the Hire Station tools, Brandon Hire, ESS Safeforce and MEP brands.

### 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 and project contractors.



### Groundforce
Specialist Construction Solutions

### TPA
Portable Roadways

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

# Group Businesses




## UK Forks

Materials Handling Specialists

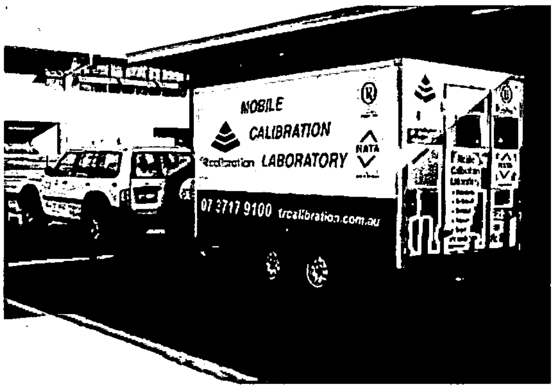
UK Forks has established itself as the UK's leading specialist hirer of telescopic handlers and tracked access platforms working closely with its customers to improve safety and productivity on construction and housebuilding sites across the UK.

## International division


## Airpac Bukom

Oilfield Services

Airpac Bukom Oilfield Services is an international business providing specialist compressed air and steam generation services. The business supports industry segments as diverse as well testing, offshore fabric maintenance, product transfer, cuttings transportation and LNG fabrication. The equipment spreads are mobilised from an unrivalled global network of service facilities located in the UK, Singapore, Australia, U.A.E. and Latin America.



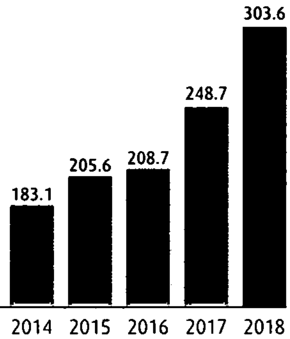

## TR Group

TR is one of 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

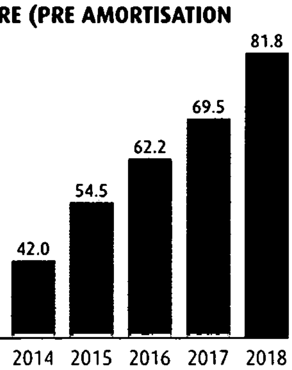
**GROUP REVENUE**

£303.6m
+22.1%



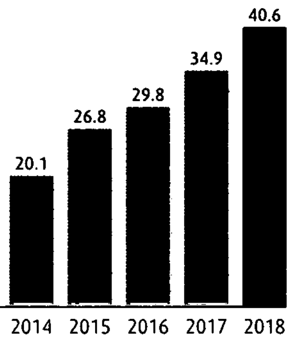

**BASIC EARNINGS PER SHARE (PRE AMORTISATION AND EXCEPTIONALS)**

81.8p
+17.7%



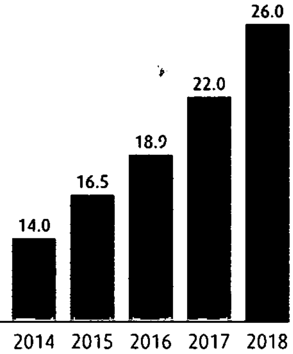

**PROFIT BEFORE TAX, AMORTISATION AND EXCEPTIONALS**

£40.6m
+16.0%



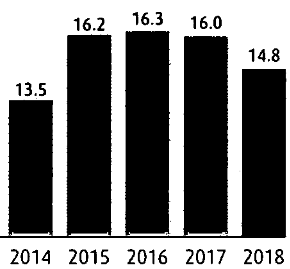

**DIVIDENDS PER SHARE**

26.0p
+18.2%



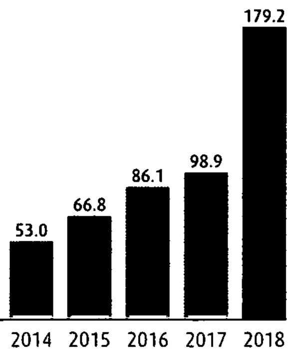

**RETURN ON AVERAGE CAPITAL EMPLOYED**

14.8%
-7.5%




**NET DEBT**

£179.2m
+81.1%




**Notes on alternative performance measures:**

- All performance measures stated as before amortisation are also before impairment of intangibles.
- 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 very pleased to report to shareholders on another year of significant progress for the Group highlighted by record profits and, with Brandon Hire, the Group's largest acquisition.

*Chairman: Jeremy Pilkington*

**Profits before tax, amortisation and exceptional items increased 16% to £40.6 million (2017: £34.9 million) on revenues ahead by 22% to £303.6 million (2017: £248.7 million), delivering a very satisfactory 14.8% return on average capital employed. Net debt at the year end was £179.2 million (2017: £98.9 million) after funding £64.9 million investment in the rental fleet (2017: £57.6 million) and £80.2 million on acquisitions including assumed debt.**

Earnings per share increased 18% to 81.8 pence per share (2017: 69.5 pence per share).

In view of this outstanding set of results, your Board is recommending a final dividend of 19.2 pence per share making a total for the year of 26.0 pence per share, an increase of 18%. Subject to shareholders approval at our Annual General Meeting on 2 August 2018, it is proposed to pay the final dividend on 9 August 2018 to members registered at 29 June 2018.

It has been an active period for the Group with four acquisitions completed during the year in support of UK growth opportunities. Jackson Mechanical Services, Zenith Survey Equipment and First National have all been successfully integrated within their respective businesses and in November 2017, we were delighted to complete the acquisition of Brandon Hire. At £69.2 million, including debt, Brandon is the Group's largest acquisition and delivers a profitable, specialist tool hire business, with a strong customer base in our key SME markets and a customer service culture closely aligned to our own. The Brandon acquisition adds a team of c.900 experienced tool hire specialists and our combined tool hire business will operate from over 200 locations across the UK.

Shortly after completing this acquisition, we were notified that the transaction was to be reviewed by the Competition and Markets Authority who subsequently cleared the transaction in March 2018. We have, since then, been fully engaged in starting to realise the synergies which attracted us to this opportunity in the first place. We are excited about the potential that this strategic acquisition offers the Group both in the immediate and longer term.

Our ambitions for the Group lie within the UK, Europe and Internationally. The quality of these results demonstrates the strength of our core UK activities whilst in Europe our relatively new business enterprises are starting to gain traction. We envisage further growth here in the future.

The International business was inevitably adversely affected by the impact of the low oil price on activity in the global oil and gas sector. However the recent significant improvements in the oil price encourage us to view the year ahead with a greater degree of optimism.

TR had a very successful year with good progress being made in the Australian and New Zealand markets. At this early stage, the new financial year again looks promising.

## Outlook

The Group is focused on delivering sustainable long term value creation for shareholders by leveraging our proven expertise in the specialist rental sector. We remain committed to being first choice provider and first choice employer and to aspire to lead our markets in terms of service and customer satisfaction.

We entered the new financial year in excellent shape and whilst there may be market uncertainties we look forward to the new financial year with confidence.

It remains my great pleasure to thank, on behalf of shareholders and the Board, all employees for their contribution to these excellent results.

**Jeremy Pilkington**
**Chairman**
**5 June 2018**

# Business Review

## Overview

Vp plc is a specialist rental business providing 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 2018 | Year ended 31 March 2017 |
|---|---|---|
| Revenue | £303.6 million | £248.7 million |
| Operating profit before amortisation and exceptionals | £44.0 million | £37.8 million |
| Operating margin | 14.5% | 15.2% |
| Investment in rental fleet | £64.9 million | £57.6 million |
| Return on Average Capital Employed | 14.8% | 16.0% |

**The financial year ended 31 March 2018 was a year of considerable success for the business which reports a 17% increase in operating profits before amortisation and exceptional items.**

Group operating profits before amortisation and exceptional items were £44.0 million which compares with prior year £37.8 million. Operating margins remained healthy at 14.5%, and our key measure of profit quality, return on average capital employed (ROACE), continued to be robust at 14.8%. The reduction in ROACE was due to the timing of the Brandon Hire acquisition in the year. The underlying ROACE for the rest of the Group was maintained at 16%. Revenues grew by 22% to £303.6 million (2017: £248.7 million).

The markets which we support have delivered variable, but generally favourable demand. The infrastructure, housebuilding and construction markets remained positive, though the offshore oil and gas sector did not deliver the anticipated modest recovery.

EBITDA before exceptionals, an indicator of the cash generative nature of the Vp business model, has remained strong, and increased by 18% to £84.3 million (2017: £71.2 million). In order to facilitate the acquisition of Brandon Hire we increased our banking facilities by £70 million at competitive rates from our existing group of banks. Net debt at 31 March 2018 was £179.2 million (2017: £98.9 million).

We continued to invest in our rental fleet with increased gross capital expenditure of £64.9 million (2017: £57.6 million). Fleet disposal proceeds were improved at £18.5 million (2017: £16.7 million), generating profit on disposal of £6.1 million (2017: £5.8 million).

In addition to organic investment in the rental fleet, the Group made four acquisitions during the year, all within the UK trading division.

On 7 April 2017 we announced the acquisition of the mechanical and electrical rental and sales activity of Jackson Mechanical Services (UK) Limited ('JMS M&E') for a cash consideration of £3.6 million. Operating from locations in Harpenden and Leeds, JMS M&E has integrated well within the MEP division of Hire Station, Vp's specialist tool hire business.

On 25 April 2017 we announced the acquisition of the entire issued share capital of Zenith Survey Equipment Limited ('Zenith') for a cash consideration of £3.7 million plus assumed debt of £2.3 million. Zenith is engaged in the specialist rental and sale of survey and safety equipment from seven locations across the UK. Zenith has also been successfully integrated within Hire Station as part of the ESS Safeforce business.

On 7 November 2017 the Group acquired the entire issued share capital of Brandon Hire Group Holdings Limited and its subsidiaries ('Brandon Hire') for a cash consideration of £41.7 million payable on completion, together with assumed net debt of £27.5 million. The Brandon Hire acquisition was the largest in the Group's history and delivers a step change in the growth of our UK specialist tool hire division.

We also acquired in November 2017, First National, a specialist rough terrain fork lift rental business for a consideration of £0.9 million plus assumed debt of £0.7 million. First National now operates within our UK Forks division.

# Business Review

## UK Division

Vp's UK division had an excellent trading year delivering a 20% increase in operating profits before amortisation and exceptionals to £43.0 million (2017: £35.9 million). Revenues grew by 24% to £272.0 million (2017: £220.0 million).

| | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| Revenue | £272.0 million | £220.0 million |
| Operating profit before amortisation and exceptionals | £43.0 million | £35.9 million |
| Investment in rental fleet | £59.7 million | £53.9 million |

**The UK division comprises four main business groupings: UK Forks, Groundforce/TPA, Hire Station and Torrent Trackside; all of which have national exposure to the infrastructure, housebuilding and construction sectors within the UK.**

The UK Forks division enjoyed sustained demand from a stable but busy housebuilding sector. Activity levels for the core telehandler business remained high whilst the spider access platform fleet experienced a more subdued trading period with a combination of a quieter telecoms market and an increased level of competition impacting revenues. Investment in equipment remained strong in UK Forks as the fleet was both grown and refreshed.

In Groundforce/TPA, positive demand from the infrastructure sector and, in particular, the water industry via Asset Management Programme 6 (AMP 6) helped to deliver a strong overall trading performance. We did see a somewhat lower number of major basement schemes, particularly in the South East, but this was more than compensated for by activity elsewhere. The TPA Portable Roadways activity had a quieter first half but utilisation levels improved considerably into the second half of our financial year. In Europe, the TPA operations also had a busy year, and the Groundforce business, whilst less mature at this stage, is starting to gain some traction in the region. Europe remains a developing geographic market for Groundforce/TPA but we are encouraged by the current momentum.

The Hire Station specialist tool hire division, comprising Hire Station (tool hire), Brandon Hire (tool hire - from November 2017), ESS Safeforce (safety and survey) and MEP (press fitting and low level access), delivered another excellent trading performance. The major development for the division was the acquisition of Brandon Hire as referred to above. This acquisition increases the branch footprint for the combined specialist tool hire operations to over 200 locations and in particular increases the Group's exposure to customers in the targeted SME sector. An early positive development has been the creation of a single management structure for the combined Hire Station/Brandon tools business and whilst it is very early in the process, the integration of Brandon Hire into the Vp group is going well. Trading at Brandon Hire has been in line with our expectations in the first months of ownership. Our specialist tool hire division delivered good growth in the period and capital investment was strong in support of that growth. Other noteworthy developments were ESS Safeforce securing a five year safety services contract in Rotterdam with Exxon Mobil and a further four new branch locations opening across the ESS Safeforce and MEP businesses.

The UK rail infrastructure sector experienced a mixed period of demand as the Control Period 5 ('CP5') expenditure was slowed, including a number of postponed and cancelled contracts. Our Torrent Trackside business saw revenues a little below expectations, but mitigated by a sustained focus on managing costs and improving service delivery to customers, the business maintained profitability targets. Product investment particularly aimed at the overhead electrification programmes has paid off with strong demand for the new products introduced to the fleet. The business maintained its position as the premier small plant provider to the UK rail sector and it remains well placed to support the recently announced Control Period 6 ('CP6') with expenditure of £48 billion planned over the five year life of the programme. CP6 is more focused on maintaining rather than renewing the UK rail network and this fits the Torrent Trackside service offer very well.

# Business Review

## International Division

Operating profits before amortisation in the International division were £1.0 million (2017: £1.9 million), a decrease of 46% on revenues of £31.6 million (2017: £28.7 million), an increase of 10%.

| | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| Revenue | £31.6 million | £28.7 million |
| Operating profit before amortisation and exceptionals | £1.0 million | £1.9 million |
| Investment in rental fleet | £5.1 million | £3.7 million |

**The International division comprises two main business groupings: Airpac Bukom which operates globally from a network of regional hubs in Australia, Singapore, Middle East and South America, and TR Group which has operations in Australia, New Zealand, Malaysia and Singapore.**

Airpac Bukom supports the global oil and gas well test, pipeline testing, rig maintenance and LNG markets. These markets were again challenging in the financial year, with a continuation of volatile trading conditions throughout calendar 2017, however in 2018 they have started to show tentative signs of improvement. The LNG market will start to slow in Australia over the coming year, but elsewhere the business is identifying new markets which it is hoped will replace the reducing demand from LNG. We expect some improvement in global exploration activity, not least because the oil price has increased significantly over the last 12 months, making this high cost activity more viable. Enquiry levels have improved considerably in 2018 and we hope to see this sector move off the bottom of the cycle over the next 12 months.

TR Group completed a first full year in the Vp Group with a good trading performance and ahead of prior year. TR is one of Australasia's leading technical equipment rental groups, providing test and measurement, communications, calibration and audio visual solutions across the region. Market conditions were improved in Australia and New Zealand, supported by an increased infrastructure spend. TR opened an office alongside Airpac Bukom in Singapore during the year, expanding its South East Asia footprint outside Malaysia. TR supports a wide range of end markets including mining, aerospace, oil and gas, utilities and construction. We anticipate continued positive conditions in Australia, and improved markets in Malaysia in the new financial year.

# Outlook

**The start to the new financial year has been positive. We anticipate that our core UK markets of infrastructure, housebuilding and construction will continue to provide a strong platform for future growth to our UK divisional business streams. Internationally we do see some recovery in the oil and gas segment and a supportive Australian economy over the next 12 months.**

We were very pleased to make our largest ever acquisition in November 2017, in Brandon Hire, and we will be heavily focused on capturing all the positive attributes that this business brings to Vp, and looking to further improve the overall financial performance of our enlarged specialist tool hire business. Our European activities with TPA, Groundforce and ESS Safeforce have a busy year ahead and we look forward to further progress in that region. International growth will be driven by further development of our TR business and some modest recovery in our offshore oil and gas support services business.

We continue to drive positive change and development through the whole of Vp and we remain excited about delivering on those initiatives in the new financial year.

N.A

**Neil Stothard**
**Chief Executive**
**5 June 2018**

# Financial Review

Group revenues increased by 22% to £303.6 million (2017: £248.7 million). Profit before tax, amortisation and exceptional items (PBTA) rose by 16% to £40.6 million (2017: £34.9 million) with PBTA margins at 13% (2017: 14%) and statutory profit before tax was £30.8 million (2017: £30.3 million). The return on average capital employed was 14.8% (2017: 16.0%).

*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 69.52 pence to 81.80 pence, an increase of 18%. Exceptional costs of £1.7 million were incurred in respect of the acquisition of Brandon Hire. Basic earnings per share after the amortisation of intangibles and exceptional items was 61.72 pence (2017: 60.31 pence).

It is proposed to increase the final dividend to 19.2 pence per share. If approved, the full year dividend would be increased by 4.0 pence (18%) to 26.0 pence with a dividend cover of 3.1 times (2017: 3.2 times) based on earnings per share before amortisation and exceptional items. The final dividend will be paid on 9 August 2018 to all shareholders on the register on 29 June 2018. At 31 March 2018, 40.2 million shares were in issue of which 0.6 million shares were held by the Employee Trust. The average number of shares in issue during the year was 39.5 million (2017: 39.2 million) after adjusting for shares held by the Employee Trust.

## BALANCE SHEET

Net assets increased by £17.1 million to £154.4 million. The Group's balance sheet is summarised below:

| | As at 31 March 2018 £'million | As at 31 March 2017 £'million |
|---|---|---|
| Property, plant and equipment | **241.9** | 195.6 |
| Intangible assets/goodwill | **91.5** | 47.5 |
| Working capital | **7.3** | (1.9) |
| Pension asset | **2.2** | 1.9 |
| Deferred tax liability | **(9.3)** | (6.9) |
| Net debt | **(179.2)** | (98.9) |
| **Net assets** | **154.4** | 137.3 |

Property, plant and equipment increased by £46.3 million to £241.9 million. The movement in the year mainly comprised; £71.4 million (2017: £61.8 million) total capital expenditure and £28.3 million from acquisitions, offset by £40.3 million total depreciation and £12.4 million net book value of disposals, the balance being foreign exchange movement. Rental equipment at £212.8 million (2017: £173.9 million) accounts for 88% of property, plant and equipment net book value.

Expenditure on equipment for hire was £64.9 million (2017: £57.6 million) and depreciation of rental equipment £36.1 million (2017: £30.2 million).

The Group carried forward £31.1 million (2017: £8.6 million) of intangible assets and £60.4 million (2017: £38.9 million) of goodwill at 31 March 2018. The movement in the year reflects £52.0 million additions in respect of the acquisitions of Jackson Mechanical Services, Zenith Survey Equipment Limited, Brandon Hire Group Holdings Limited and FNPR Holdings Limited, less amortisation and impairment of intangibles and goodwill of £8.1 million. Included within the impairment of goodwill is £4.8 million in respect of Airpac Bukom oil and gas activities in Africa and South America following the slump in the oil price in the last few years. Taking into account current and budgeted financial performance the Board remains satisfied with the carrying value of the remaining assets.

Average debtor days increased slightly to 59 days compared to 58 days in the previous year. Gross trade debtors were £69.2 million at 31 March 2018 (2017: £47.4 million). Bad debt and credit note provisions totalled £6.3 million (2017: £3.7 million) equivalent to 9% (2017: 8%) of gross debtors. The bad debt write off for the year ended 31 March 2018 as a percentage of total revenue was 0.5% (2017: 0.4%).

The Group's defined benefit pension schemes have a surplus of £2.2 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.

# Financial Review



## CASH FLOWS AND NET DEBT

The Group continues to generate strong cash flows and EBITDA before exceptionals totalled £84.3 million (2017: £71.2 million). After funding significant capital expenditure and acquisitions, net debt increased by £80.3 million from £98.9 million at 31 March 2017 to £179.2 million at 31 March 2018. The Group's cash flow is summarised below:

| | 2018 £'million | 2017 £'million |
|---|---|---|
| **EBITDA before exceptionals** | **84.3** | 71.2 |
| **Cash generated from operations** | **73.6** | 69.9 |
| Net capital expenditure | **(53.1)** | (48.0) |
| Interest and tax | **(10.4)** | (7.4) |
| Dividends | **(9.0)** | (7.6) |
| Acquisitions | **(49.7)** | (10.0) |
| Other | **(1.2)** | (5.8) |
| **Cash movement** | **(49.8)** | (8.9) |
| **Debt acquired** | **(30.5)** | (3.9) |
| **Change in net debt** | **(80.3)** | (12.8) |

After adjusting for an outflow for capital creditors of £0.2 million, cash flows in respect of capital expenditure were £71.6 million (2017: £64.7 million). Proceeds from disposal of assets amounted to £18.5 million (2017: £16.7 million), producing a profit on disposal of £6.1 million (2017: £5.8 million). The margin on profit on sale from disposals of fleet assets at 33% (2017: 35%) reflects prudent depreciation policies and strong asset management.

Net interest expense for the year totalled £3.4 million (2017: £2.9 million). Interest cover before amortisation was 11.4 times (2017: 13.0 times) and the gearing ratio of adjusted Net Debt/EBITDA was 1.89 (2017: 1.39); 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.

In April 2017 the Group acquired the business and assets of Jackson Mechanical Services for consideration of £3.6 million and the entire share capital of Zenith Survey Equipment Limited for £3.7 million. In November 2017 the Group also acquired the entire share capital of Brandon Hire Group Holdings Limited for £41.7 million and FNPR Holdings Limited for £0.9 million. The cash cost of these acquisitions was £49.7 million after adjusting for cash acquired with the businesses.

Dividend payments to shareholders totalled £9.0 million (2017: £7.6 million), and cash investment in own shares on behalf of the Employee Benefit Trust (EBT) during the year was £0.8 million (2017: £4.5 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 2018 the Group had £200 million (2017: £120 million) of committed revolving credit facilities. The year on year increase in facility reflects the additional facility of £10 million taken out in August 2017 using the existing step up facility and a new £70 million facility put in place to fund the acquisition of Brandon Hire Group Holdings Limited. In addition to the committed facilities the Group's net overdraft facility at the year end was £5 million (2017: £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 thirteen 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 74 of the accounts. In the year ended 31 March 2018, the fixed element of borrowings was £60 million and in April 2018 this was increased to £72 million or 40% 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. During the year the Group had eleven foreign exchange hedges to reduce the risk of rate fluctuations between US dollars and Sterling in the year ended 31 March 2018. 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 £6.4 million (2017: £6.7 million), an effective rate of 20.9% (2017: 22.0%). The current year tax charge was increased by £185,000 (2017: £149,000 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 20.3% (2017: 21.5%) before prior year adjustments. The effective tax rate in the year was also reduced by 2.7% (£829,000) as a result of a reduction in the deferred tax liability due to the reduction in the future standard tax rate in the UK to 17%. This adjustment has been offset by an increase in the underlying tax rate of 3.1% (£944,000) as a result of the goodwill impairment noted above. 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 4% from 814.5 pence to 850.0 pence, compared to a 1% decrease in the FTSE small cap index excluding investment trusts. The Company's shares ranged in price from 792.5 pence to 937.5 pence and averaged 850.4 pence during the year.

**Allison Bainbridge**
**Group Finance Director**
**5 June 2018**

# Viability Statement

**The directors have assessed the viability of the Group up to 31 March 2020.**

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 2020 and is underpinned by management's 2018 – 2020 business plan which includes projections of the Group's profit performance, cash flow, investment plans and returns to shareholders.

The forecasts have been subject 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 2018. 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.

Further information is provided on pages 18 and 19 on our principal risks and uncertainties section along side the mitigating activities to address them.

# Risk Management

Our risk reporting framework is set out below:

**Board**
Group strategy and structure
Risk appetite and policies
Ensure appropriate controls
Monitor indicators of Group risks
Accountable to shareholders and key external stakeholders

**Divisional Boards**
Determine appropriate controls
Review financial performance
Ensure compliance with directives and governance principles set by the Board

**Audit Committee**
Monitor financial reporting integrity
Approve annual audit programme
Review and monitor internal audit work and the statutory audit
Review internal control effectiveness

**Internal Audit**
Risk-based programme of project work (both assurance and consulting)
Production of KPI data on key risks
Maintain Group Risk Registers

# 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 2017 |
|---|---|---|
| **Market risk**<br>A downturn in economic recovery could result in worse than expected performance of the business, due to lower activity levels or prices. | 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. | → |
| **Competition**<br>The equipment rental market is already competitive and could become more so, impacting market share, revenues and margins. | 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. | → |

# Principal Risks and Uncertainties

| RISK DESCRIPTION | MITIGATION | CHANGE FROM 2017 |
|---|---|---|
| **Investment/Product Management**<br>In order to grow it is essential the Group obtains first class products at attractive prices and keeps them well maintained. | 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 14.8% (2017: 16.0%) in 2017/18. The quality of the Group's fleet disposal margins also demonstrate robust asset management and appropriate depreciation policies. | → |
| **People**<br>Retaining and attracting the best people is key to our aim of exceeding customer expectations and enhancing shareholder value. | 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. | → |
| **Safety**<br>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. | 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.<br>We provide support to our customers exercising their responsibility to their own workforces when using our equipment. | → |
| **Financial risks**<br>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. | 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.<br>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 59 days (2017: 58 days) and bad debts as a percentage of revenue remained low at 0.5% (2017: 0.4%). | → |
| **Contractual risk**<br>Ensuring that the Group commits to appropriate contractual terms is essential; commitment to inappropriate terms may expose the Group to financial and reputational damage. | 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. | → |

↓ **Decreased risk** ↑ **Increased risk** → **No change**

# Corporate Social Responsibility

## OVERVIEW

The Group has always conducted its business responsibly and ethically. Corporate social responsibility forms an integral part of our business strategy and is focussed on our people, health and safety, the environment, our communities and our ethics.


## 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 recognising, developing and promoting talent from within the business, we continue to attract fresh talent to the Group.

Vp recognises the need to train the engineers of the future and has successfully operated apprentice schemes for many years having reintroduced our scheme in 2007. We work closely with the Construction Industry Training Board to recruit and support our apprentices. The apprenticeship offered by Vp is based around a three year NVQ, which combines college learning with work experience ensuring there is a balance of technical skills and practical experience.

We currently have 43 apprentices across the Group, 17 are completing their first year, 17 are completing their second year and 9 will complete their apprenticeships this year. We are recruiting a further 31 apprentices to start in September 2018.

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, regardless of creed, colour, age, sex, disability or sexual orientation. We are committed as a business to employ people who have the relevant qualifications, attributes and skills regardless of gender. Women are represented at all levels of our organisation, including the board.

| Workforce by gender | Male | Female | Female % |
|---|---|---|---|
| Board of directors | 4 | 1 | 20 |
| Senior management | 51 | 9 | 16 |
| All employees | 2,810 | 457 | 16 |

# Corporate Social Responsibility

We are equally committed to ensuring that employees are paid the correct rate for the job regardless of gender. We published our first gender pay gap report this year (as required by the government). The gender pay gap illustrates the difference between the average (mean) and mid-point (median) hourly pay for men and women across all our roles at Vp plc. The Vp plc consolidated results were:

| | |
|---|---|
| Mean hourly pay gap | -5.0% |
| Median hourly pay gap | -6.3% |

These consolidated results, in the table above, show that hourly pay is higher for females across the Vp Group. The majority of our employees are male, with significantly fewer females employed in the lower pay brackets of our business.

### Retention

Retaining talented people is vital to our continued success. We aim to make the Group an employer of choice who maintains an excellent relationship with its 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 2018, approximately 47% (2017: 48%) of our UK employees were participating in the Save As You Earn Scheme.

A major contributory factor in our success in delivering operational excellence and outstanding customer service is the continuity provided by long service which is recognised and celebrated by the business. As a group, over 41% of our employees have in excess of five years' service and a further 25% have more than ten years' service. We aim to keep employee turnover as low as possible. Our employee turnover was 24% in the year (2017: 20%).

We operate extensive training programmes which commence with a detailed induction programme and then progress to cover all technical skills that our employees require to carry out their roles. 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. A Group Graduate Programme is in place across Vp. Between November 2017 and March 2018, Vp's first leadership Development Programme took place, which aims to further enhance the capability of the business to handle change and the challenges of the future.

### 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. We have policies in place, such as our whistle blowing procedure which protects our employees. These policies are embedded in our day to day operations and therefore whilst we do not manage human rights matters separately we continue to assess potential risks in this area and we rate the risk in our business as low.

### Modern Slavery Act 2015

Vp fully supports the Modern Slavery Act 2015. Vp plc is a specialist rental business with the majority of our activity taking place in the UK. The Group does not tolerate any slavery or human trafficking within its business operations and we expect all those in our supply chain to comply with our values. 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.

## HEALTH & SAFETY

Excellent health and safety performance is fundamental to our business. It is essential that we provide equipment that is safe to use and that we ensure that accidents and dangerous occurrences are avoided.

# Corporate Social Responsibility

We aim to continually improve standards of health and safety within all our businesses and with our customers. Below are a few of the ways in which we have set out to achieve this aim in during the financial year.

The demands of safety regulations within the construction industry are more stringent than ever, with an increasing requirement for expertise and reliable systems. As a result of their ongoing commitment to achieving excellence in health and safety, ESS Safeforce have been awarded SafeContractor accreditation. The SafeContractor scheme provides a health and safety audit service for contractors who want to reassure their clients that health and safety is being handled correctly and sufficiently on their sites.

Groundforce Shorco attained Fleet Operator Recognition Scheme ("FORS") Gold accreditation; an award which embodies a systematic approach to continual improvement. Driven to achieve excellence in health and safety the journey from Bronze through to Gold accreditation was a natural progression for Groundforce who fully embraced the concept of improving vehicle safety and addressing environmental impact. Groundforce will continue to improve standards using the tools and knowledge gained during the achievement of FORS.

Airpac Bukom recently transitioned its management system compliance standards ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) from the previously held 2008 versions to comply with the revised 2015 standards; whilst at the same time incorporating a move from their existing certification body to Lloyds Register Quality Assurance. Lloyd's Register Quality Assurance (LRQA) is the world's leading provider of independent assessment services including certification, validation, verification and training across a broad spectrum of standards and schemes, with recognition from over 50 accreditation bodies.

An audit of this transition involved confirmation of compliance to the existing version of the ISO 9001 / ISO 14001 verification standard; and confirmation of compliance with the newest version of both ISO standards. The auditor was particularly pleased with Airpac's approach and methodology in tackling the requirements of the new standard and the robustness of processes and procedures.

General health and safety training is provided as part of the induction process for all new employees. In addition, role appropriate health and safety training is also provided. Our policies and procedures are designed to ensure that the health and safety of all our employees, customers and anyone else affected by our activities is safeguarded.

We ended the year with an Accident Frequency Rate of 0.10, a reduction on our 2017 rate of 0.13. 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 lower at 4 in the year (2017: 5).

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Accident frequency rate | 0.10 | 0.13 | 0.12 |

## 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.

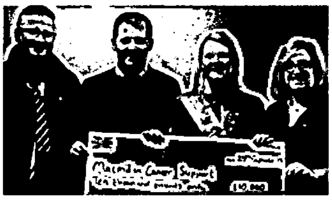
During the year we donated £27,000 (2017: £30,000) to charities. This included donations in support of employees participating in fund raising activities.

# Corporate Social Responsibility



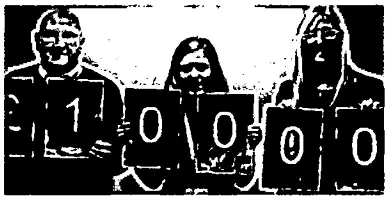
We encourage our employees to proactively support charities through volunteering and participation in personal challenges including the following activities.

As part of the Group's 60th birthday celebrations a Charity Challenge was created to raise £30,000, this was achieved in a number of ways including; fancy dress days and bake offs. The Group matched this amount taking the total to be donated to £60,000. Half of the total raised was given to local charities and half to national charities, all chosen by our employees. The money was distrubuted among 35 local charities across the UK and three national charities; Cancer Research UK, Macmillan Cancer and Support Alzheimer's Society.



WE ARE MACMILLAN. CANCER SUPPORT

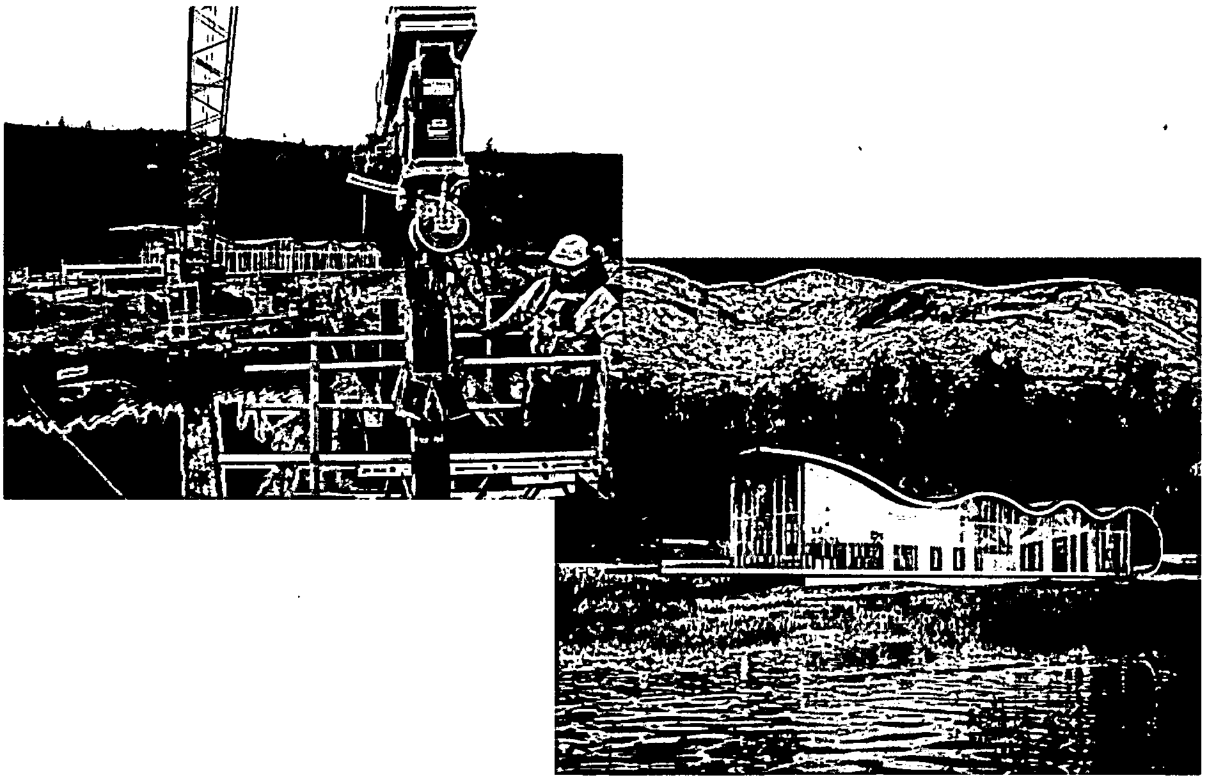
CANCER RESEARCH UK



Alzheimer's Society

Piletec was delighted to support the It's Good 2 Give charity's latest project currently under construction in Scotland; the Ripple Retreat, a stunning purpose-built three-bedroomed respite centre for children suffering from cancer, and their families, on the banks of Loch Venachar in the Loch Lomond and Trossachs National Park.

The retreat design includes the building of a 23 metre long jetty, constructed of greenheart marine-grade timber, out onto the freshwater loch. In support of the jetty construction Piletec provided, free of charge, an ICE328B free suspended vibratory hammer and an ICE100 power pack to the civil contractor George Leslie, specialists in marine engineering to sink a total of 44 eight metre long timber piles into the loch bed.



# 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 is committed to mitigating its impact on the environment by continually reviewing, managing, controlling and improving its environmental performance. It is our intention to achieve our business aims whilst meeting rising environmental standards.

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

| Scope 1 | |
|---|---|
| Direct emissions resulting from combustion of fuels | |
| Tonnes $CO_2e$ | |
| 2018 | **16,622** |
| 2017 | **13,701** |
| 2016 | **13,138** |

| Scope 2 | |
|---|---|
| Indirect emissions from electricity purchased | |
| Tonnes $CO_2e$ | |
| 2018 | **3,023** |
| 2017 | **2,877** |
| 2016 | **2,510** |

| Scope 3 | |
|---|---|
| Other indirect emissions, e.g. road freight | |
| Tonnes $CO_2e$ | |
| 2018 | **5,604** |
| 2017 | **5,521** |
| 2016 | **5,290** |

Normalised Tonnes of $CO_2$ per £m revenue (intensity measure)

| | |
|---|---|
| 2018 | **83** |
| 2017 | **89** |
| 2016 | **100** |

Whilst absolute $CO_2$ emissions have increased, once adjusted for higher activity levels normalised $CO_2$ emissions actually reduced by 6% from 88.8 tonnes per £1 million of revenue to 83.2 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.

### STRATEGIC REPORT

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

**Neil Stothard**
**Chief Executive**
**5 June 2018**

# 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. With effect from 1 June 2017 Allison has been appointed 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 principals 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 52 including the Directors' Remuneration Report on pages 32 to 44. This section of the annual report sets out how we manage the Group and how we comply with the provisions of the UK Corporate Governance Code. Vp continues to maintain and review its systems, processes and policies to support its governance practices.

**Jeremy Pilkington**
**Chairman**
**5 June 2018**

## CORPORATE GOVERNANCE

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

## LEADERSHIP

The role of the Board is to provide entrepreneurial leadership of the Company, whilst maintaining good corporate governance, the highest standards of behaviour and managing risk. The Board reviews its progress against these objectives on a regular basis. The Board exercises control over the performance of each operating company within the Group, principally by monitoring performance against agreed budgetary targets. The names and biographic details of the members of the board are set out on page 25.

| Length of service of director | 31 March 2018 |
|---|---|
| One to two years | - |
| Two to three years | - |
| Four to six years | 1 |
| More than six years | 4 |

| Balance of directors | 31 March 2018 |
|---|---|
| **Gender** | |
| Male | 4 |
| Female | 1 |

| Balance of directors | 31 March 2018 |
|---|---|
| **Role** | |
| Executive Chairman | 1 |
| Executives | 2 |
| Non executives | 2 |

# Governance

The Board has a clearly documented schedule of matters reserved for its approval, including strategy, half-yearly reports, any preliminary announcements of the final results and any other announcements concerned with the financial performance of the Group, annual budgets, major capital expenditure, significant investments or disposals and treasury policy. In certain areas, specific responsibility is delegated to committees of the Board within defined terms of reference.

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. 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.

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.



## EFFECTIVENESS

### Committees

The board has established three principal Board Committees to which it has delegated certain responsibilities. They are the Audit Committee, Remuneration Committee and Nomination Committee. The roles, membership and activities of these committees are described in more detail below.

### Meetings

In the year ended 31 March 2018, the Board met six times. In addition, the Board also met on an ad hoc basis to deal with urgent business including the consideration and approval of major transactions. The table below lists the directors' attendance at the Board meetings and Committee meetings during the year ended 31 March 2018.

| | Board | Audit | Remuneration |
|---|---|---|---|
| **Number of meetings held** | 6 | 3 | 2 |
| *Executive directors* | | | |
| Jeremy Pilkington | 6 | - | - |
| Neil Stothard | 6 | - | - |
| Allison Bainbridge | 6 | - | - |
| *Non-executive directors* | | | |
| 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.

The non-executive directors provide a strong and independent monitor on the performance of both the Group and its executive management.

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

**Independence**
The Board considers the non-executive directors to be independent under the provisions of the Codes on the basis that they are not members of management and are free of any business or other relationships that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

**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 20 and 21 in the Strategic Report.

The Nominations Committee has written terms of reference, which are available on the Company's website at www.vpplc.com

**Induction, development and support**
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. The Board calendar is planned to ensure that directors are briefed on a wide range of topics throughout the year and are given the opportunity to visit sites and discuss aspects of the business with employees. The Board recognises the importance of continued training for the individual directors and they are encouraged to attend external seminars and briefings appropriate to their role on the Board.

To enable the Board to function effectively and assist directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including latest available management accounts, regular business progress reports and discussion documents regarding specific matters. In addition, senior managers are regularly invited to Board meetings and make business presentations to the Board. During Board meetings, the non-executives routinely interrogate the performance of the business and seek further information as necessary on specific topics.

There is an agreed procedure for directors to take independent professional advice at the Company's expense if deemed necessary for the correct performance of their duties. The Company Secretary, Allison Bainbridge, who is also the Group Finance Director, is available to all directors to provide advice and she is responsible for ensuring that Board procedures are followed and that all applicable rules and regulations are complied with. 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.

**Performance evaluation**
During 2018, an internal evaluation of Board performance was undertaken. No areas of material concern were highlighted during the 2018 evaluation.

**Re-election**
From 2015 all directors have retired at each Annual General Meeting ('AGM') and offered themselves for re-election by shareholders. Accordingly, all the directors will retire at the AGM in August 2018 and their details are provided on page 25.

**Accountability**
The directors and auditors set out their respective responsibilities for preparing and reviewing the financial statements in the statement of directors' responsibilities on page 48 and the independent auditors' report on pages 49 to 52.

## RELATIONS WITH SHAREHOLDERS

The Board encourages engagement with major institutional shareholders and other stakeholders. The executive directors present the Group's interim and full year results to brokers and analysts and also meet fund managers, brokers, analysts and the media on a regular basis to discuss business strategy, results and other issues. Presentation material used in these briefings is published on the Company's website **www.vpplc.com**

While the non-executive directors do not ordinarily attend these meetings, they are available if required by shareholders. Feedback from these meetings, collated by N+1 Singer and Buchanan Communications, is reviewed by the Board as a whole.

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

Steve Rogers

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

I am pleased to present our Audit Committee report for the year ended 31 March 2018. 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. The members of the Audit Committee have been selected with the aim of providing a range of financial and commercial expertise which includes competence relevant to the sector in which the Group operates and allows the Committee to fulfil its function.

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.

**Existence 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.

**Valuation of rental equipment**
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.

**Brandon Hire Group acquisition accounting**
The accounting for the acquisition of Brandon Hire Group for £69.2 million (including assumed debt) involves a level of judgement in identifying intangibles upon acquisition.

The Board and the Committee were satisfied with the judgements taken in each case.

## FAIR BALANCED AND UNDERSTANDABLE VIEW

Having reviewed the Report and Accounts, the Committee concluded and advised the Board that in its view the Report and Accounts for 2018 taken as a whole is fair, balanced and understandable. The Board then separately considered this matter and concurred with the Audit Committee's recommendation.

## TRANSITION TO IFRS 15 AND IFRS 9

The Committee was kept appraised by the Group Finance Director of work being undertaken to ensure compliance with IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments". The impact of these standards is not material and is shown in note 1 on page 60.

# Audit Committee Report

## EXTERNAL AUDIT

The Committee oversees the Group's relationship with the external auditors and formally reviews the relationship, policies and procedures to ensure their independence. PwC were appointed as external auditors on 15 October 2014. 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.

The Group has policies and procedures in place to ensure that independence and objectivity of the external auditors are not impaired. These include restrictions on the types of services that they can provide, in line with FRC standards on Auditing. To further safeguard the independence of the external auditors non-audit services provided by the external auditors are considered and where appropriate authorised by the Committee in accordance with a non-audit services policy. The policy is contained in an appendix to the Committee's Terms of Reference. PwC also provides confirmation to the Committee on the arrangements and safeguards it has in place to maintain its independence and objectivity. The Committee continues to be satisfied with their independence.

The total fees payable to PwC for the year ended 31 March 2018 (together with a comparison for the year ended 31 March 2017) can be found in note 3 to the consolidated financial statements. Non-audit fees for the year ended 31 March 2018 were £195,000 (2017: £17,000). The non-audit services related to vendor due diligence commissioned by the previous owners of Brandon Hire, the half year review and overseas accountants reports.

## 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 17 and 18.

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 2017. 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 three 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. The Group's provision has been updated with the implementation of a new phone number and email address. Work has been completed to publicise the new options open to employees should they require to use them.

At the 2018 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 2018**

# Remuneration Report Annual Statement

*Phil White*

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 March 2018. 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.

The Remuneration Committee (the Committee) aims to operate and demonstrate good practice in the area of executive remuneration and disclosure and I hope that this report demonstrates clarity and transparency.

Our report has three sections:

- this annual statement which summarises and explains any major decisions and changes in respect of directors' remuneration;
- our directors' remuneration policy, approved by the shareholders at the 2017 AGM and subject to a binding vote every three years (or sooner if changes are made to the policy); and
- the annual report on remuneration, subject to an advisory shareholder vote at the AGM to be held on 2 August 2018.

## REMUNERATION POLICY AND IMPLEMENTATION

As set out in the annual report on remuneration, the Group has continued to perform well against our key measures of growth in profit before tax, amortisation and exceptional items, earnings per share (EPS) and return on average capital employed (ROACE). ROACE in 2017/18 was a very satisfactory 14.8%. Our bonus and long-term incentive structures which we believe are in line with market best practice are based on stretch targets. The Committee believes that this year's pay outcomes reflect the current year's performance.

Profit before taxation, amortisation and exceptional items at £40.6 million grew by 16% 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 57% of base salary, out of a maximum of 100%.

Our 2014 LTIP award vested in July 2017 at 100% of the total award reflecting the excellent EPS growth of the Group between 2014 to 2017. Again as a result of strong compound annual growth performance in EPS of 15% per annum between 2015 and 2018, our 2015 LTIP award is due to vest at 100% in July 2018.

The Committee's view is that base salary, performance related bonus schemes, long term incentives and pensions allowances are appropriate. Therefore the Committee is not proposing to make any changes to the Remuneration Policy as set out overleaf. A review of executive directors base salaries was carried out during the year. The increases effective from 1 April 2018 are set out on page 41. The annual bonus scheme for 2018/19 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 2018/19 LTIP awards will be consistent with 2017/18 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 2018.

## ALIGNMENT WITH SHAREHOLDERS

In making the proposals for the Remuneration Policy, the Committee has given consideration to feed back from our shareholders as well as prevailing sentiment on reward and pay for executive directors. 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 96.5% approval for our Remuneration Policy and 99.4% approval for our Remuneration Report last year. In addition, a resolution to approve the Annual Report on Remuneration will also be proposed at the forthcoming AGM on 2 August 2018. We hope that we will continue to receive your support.

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

**Phil White**
**Chairman Remuneration Committee**
**5 June 2018**

# Directors' Remuneration Policy (unaudited)

**This part of the report sets out the Group's policy for the remuneration of executive and non-executive directors (referred to as either 'the Remuneration Policy' or 'the Policy'). The Policy is determined by the Remuneration Committee and is not subject to audit by the external auditors.**

Consistent with current legislation, the directors' remuneration policy report, which has operated from 1 April 2014, was put to a second binding shareholder vote at the 2017 AGM and continues to be effective from that date.

## 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.

In addition to the above, the remuneration policy for the executive directors is based on the following key principles:

- A significant proportion of remuneration should be tied to the achievement of specific and stretching performance conditions that align remuneration with the creation of shareholder value and the delivery of the Group's strategic plan.
- There should be a focus on sustained long term performance measured over clearly specified timescales, encouraging executives to take action in line with the Group's strategic plan.
- Individuals should be rewarded for success but steps should be taken, within contractual obligations, to prevent rewards for failure.

## 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 41. | 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 |
|---|---|---|---|---|
| **Annual Bonus** | 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.<br>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. |
| **Long Term Incentive Plan** | 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.<br>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.<br>Minimum ROACE requirement, currently set at 12%. |
| **Share Matching Scheme** | 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.<br>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%. |
| **Save As You Earn** | 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. |
| **Share Ownership Guidelines** | To increase alignment between executives and shareholders. | Shareholding to be built up over 5 years. | 100% of salary for executive directors. | None. |
| **Non-Executive Director Fees** | 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)



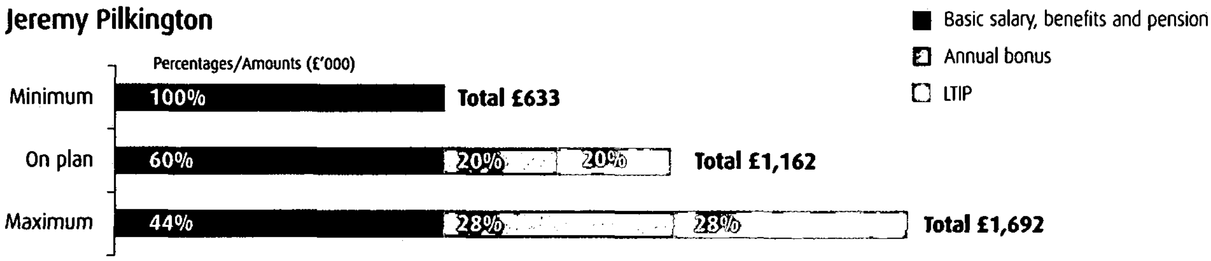
### CHANGES TO REMUNERATION POLICY

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

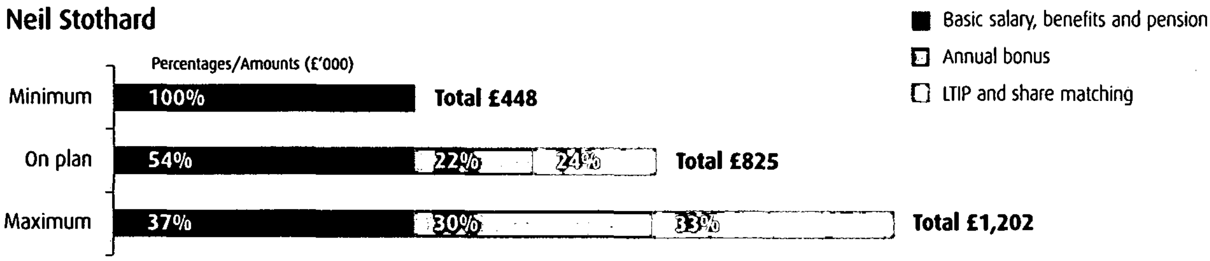
### ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The chart below illustrates the total remuneration for each executive director that could result from the proposed remuneration policy in 2018/19 under three different performance scenarios.

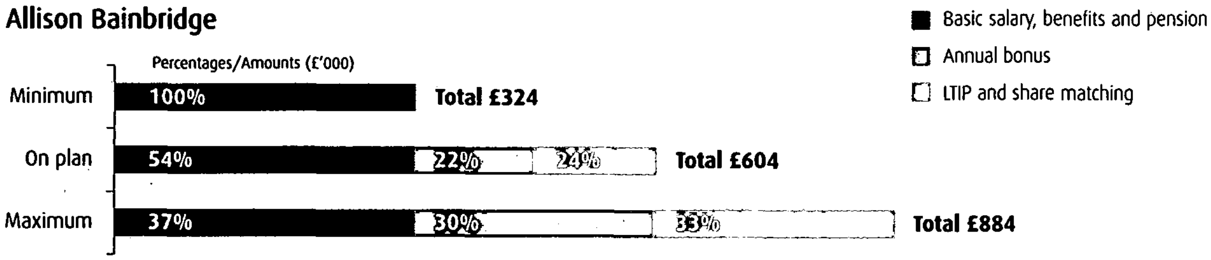
**Jeremy Pilkington**




**Neil Stothard**




**Allison Bainbridge**




The value of base salary for 2018/19 is set out in the Base Salary table on page 41.

The value of taxable benefits in 2018/19 is taken to be the value of taxable benefits received in 2017/18 as shown in the single total figure of remuneration table set out on page 38. 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 44 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 2018 together with the comparative figures for 2017.

| | | Salaries and fees | Taxable benefits | Pensions | Annual bonus | LTIP | Share matching | Total |
|---|---|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| *Executive directors* | | | | | | | | |
| **Jeremy Pilkington** | 2018 | 471 | 35 | 194 | 271 | 527 | - | 1,498 |
| | 2017 | 471 | 7 | 204 | 339 | 559 | - | 1,580 |
| **Neil Stothard** | 2018 | 352 | 26 | 62 | 197 | 376 | 38 | 1,051 |
| | 2017 | 343 | 26 | 60 | 247 | 399 | 41 | 1,116 |
| **Allison Bainbridge** | 2018 | 261 | 17 | 39 | 147 | 272 | 28 | 764 |
| | 2017 | 255 | 17 | 38 | 184 | 289 | 29 | 812 |
| *Non-executive directors* | | | | | | | | |
| **Steve Rogers** | 2018 | 40 | - | - | - | - | - | 40 |
| | 2017 | 40 | - | - | - | - | - | 40 |
| **Phil White** | 2018 | 40 | - | - | - | - | - | 40 |
| | 2017 | 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 2018 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 | 3 | 26 | 16 | 57 | 271 |
| **Neil Stothard** | 100 | 3 | 26 | 16 | 57 | 197 |
| **Allison Bainbridge** | 100 | 3 | 26 | 16 | 57 | 147 |

No changes have been made to the maximum opportunity available under the 2018/19 bonus scheme.

# Annual Report on Remuneration

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

The LTIP and share matching amount included in the 2017/18 single total figure of remuneration is in respect of the conditional share award granted in July 2015. Vesting is dependent on earnings per share performance over the three years ended 31 March 2018, achievement of a minimum return on average capital employed of 12% and continued service until July 2018.

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 5% pa (0% vesting) 14% pa (100% vesting) actual 15% pa | 61.8 pence EPS | 78.7 pence EPS | 80.9 pence EPS | 100 |
| **ROACE** | Minimum of 12.0% | 12.0% | N/A | 14.8% | 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** | 61,100 | 61,100 | 527 |
| **Neil Stothard** | 43,600 | 43,600 | 376 |
| **Allison Bainbridge** | 31,600 | 31,600 | 272 |

*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 £7.70. As the awards have not yet vested the weighted average share price for the last three months of the financial year 2017/18 of £8.62 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** | 4,400 | 4,400 | 38 |
| **Allison Bainbridge** | 3,200 | 3,200 | 28 |

*As the awards have not yet vested the weighted average share price for the last three months of the financial year 2017/18 of £8.62 has been used to estimate the value at vesting.

## 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 |
|---|---|---|---|---|---|---|---|
| **Jeremy Pilkington** | | | | | | | |
| | LTIP | 100% of salary | 11 July 2017 | 8.70 | 54,100 | 471 | 31 March 2020 |
| **Neil Stothard** | | | | | | | |
| | LTIP | 100% of salary | 11 July 2017 | 8.70 | 40,400 | 352 | 31 March 2020 |
| | SAYE | N/A | 12 July 2017 | 8.70 | 517 | 4 | N/A |
| **Allison Bainbridge** | | | | | | | |
| | LTIP | 100% of salary | 11 July 2017 | 8.70 | 30,000 | 261 | 31 March 2020 |
| | SAYE | N/A | 12 July 2017 | 8.70 | 517 | 4 | N/A |

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 2018.

## 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 41.

| Executive | Scheme | Grant date | Exercise price £ | No. of shares at 31 Mar 2017 | Granted during the year | Vested during the year | Lapsed during the year | No. of shares at 31 Mar 2018 | Exercise period | End of performance period |
|---|---|---|---|---|---|---|---|---|---|---|
| **Jeremy Pilkington** | | | | | | | | | | |
| | Total LTIP | Various | Nil | 201,000 | 54,100 | 68,200 | - | 186,900 | July 2018 to July 2027 | 31 Mar 2018 to 31 Mar 2020 |
| **Neil Stothard** | | | | | | | | | | |
| | Total LTIP | Various | Nil | 144,500 | 40,400 | 48,700 | - | 136,200 | July 2018 to July 2027 | 31 Mar 2018 to 31 Mar 2020 |
| | Total Share Matching | Various | Nil | 14,600 | - | 5,000 | - | 9,600 | July 2018 to July 2027 | 31 Mar 2018 to 31 Mar 2020 |
| | SAYE | 2014 | 5.30 | 679 | - | 679 | - | - | | N/A |
| | SAYE | 2015 | 6.20 | 580 | - | - | - | 580 | October 2018 to March 2019 | 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 |
| | **Total SAYE** | | | **1,859** | **517** | **679** | **-** | **1,697** | | |
| **Allison Bainbridge** | | | | | | | | | | |
| | Total LTIP | Various | Nil | 105,700 | 30,000 | 35,300 | - | 100,400 | July 2018 to July 2027 | 31 Mar 2018 to 31 Mar 2020 |
| | Total Share Matching | Various | Nil | 10,600 | - | 3,500 | - | 7,100 | July 2018 to July 2027 | 31 Mar 2018 to 31 Mar 2020 |
| | SAYE | 2014 | 2.82 | 679 | - | 679 | - | - | | N/A |
| | SAYE | 2015 | 6.20 | 580 | - | - | - | 580 | October 2018 to March 2019 | 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 |
| | **Total SAYE** | | | **1,859** | **517** | **679** | **-** | **1,697** | | |

# Annual Report on Remuneration



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

| Executive | Shareholding as % of salary at 31 Mar 2018 | Shares beneficially owned at 31 Mar 2018 | Shares beneficially owned at 31 Mar 2017 | Options vested but not yet exercised 31 Mar 2018 | Options vested but not yet exercised 31 Mar 2017 | Unvested LTIP awards[1] | Unvested share matching awards[1] | Outstanding SAYE awards |
|---|---|---|---|---|---|---|---|---|
| **Jeremy Pilkington** | * | 29,220 | 29,220 | 68,200 | - | 186,900 | - | - |
| **Neil Stothard** | 1,904% | 789,584 | 788,905 | 53,700 | - | 136,200 | 9,600 | 1,697 |
| **Allison Bainbridge** | 218% | 66,970 | 66,291 | 38,800 | - | 100,400 | 7,100 | 1,697 |
| **Steve Rogers** | - | - | - | - | - | - | - | - |
| **Phil White** | - | - | - | - | - | - | - | - |

**[1] 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 2018: £8.50.

*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 2018 Ackers P Investment Company Limited owned 20,181,411 shares (2017: 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 2018 and 5 June 2018.

## IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE YEAR ENDING 31 MARCH 2019 (unaudited)

A summary of how the directors' remuneration policy will be applied during the year ended 31 March 2019 is set out below.

### BASE SALARY

The Committee approved a 2.5% increase in base salary for Neil Stothard and Allison Bainbridge from 1 April 2017 and the following base salary increases with effect from 1 April 2018:

| | 2019 £000 | 2018 £000 | % increase |
|---|---|---|---|
| **Jeremy Pilkington** | 471 | 471 | **0.0%** |
| **Neil Stothard** | 359 | 352 | **2.0%** |
| **Allison Bainbridge** | 267 | 261 | **2.0%** |
| **Steve Rogers** | 40 | 40 | **0.0%** |
| **Phil White** | 40 | 40 | **0.0%** |

A salary increase averaging 2.4% across the Group was awarded at the annual pay review, effective from 1 April 2018.

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

On 1 June 2017 Allison Bainbridge was appointed as non-executive director of RPS Group Plc and received £45,833 for her services.

# Annual Report on Remuneration

## IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE YEAR ENDING 31 MARCH 2019 (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 2019 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.

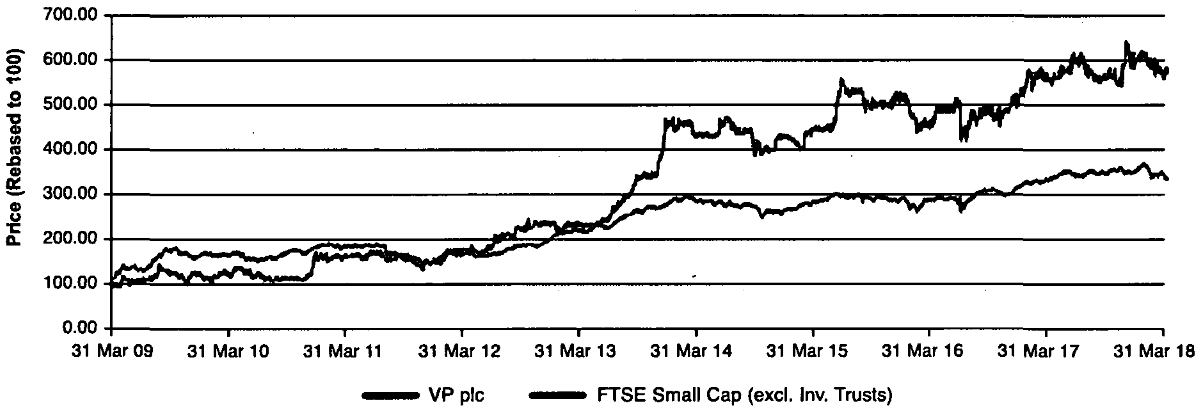
### LONG TERM INCENTIVES

Consistent with past awards the extent to which any LTIP awards granted in 2018 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 nine year period from 1 April 2009 to 31 March 2018.




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:

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| **Single figure (£000)** | 614 | 1,080 | 1,919 | 1,795 | 2,042 | 2,259 | 1,613 | 1,580 | 1,498 |
| **Annual bonus % of maximum** | 20% | 100% | 100% | 84% | 52% | 100% | 27% | 72% | 57% |
| **LTIP vesting % of maximum** | 0% | 44.6% | 82% | 95.1% | 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 2017 and 31 March 2018 compared to the percentage change for UK employees of the Group for each of these elements of pay.

| | Jeremy Pilkington 2017 | 2018 | % change | UK employees % change |
|---|---|---|---|---|
| | **£000** | **£000** | | |
| **Salary** | 471 | 471 | 0% | 5% |
| **Taxable Benefits** | 7 | 35 | 400% | 15% |
| **Annual Bonus** | 127* | 339* | 167% | 40% |

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.

| | | 2017 | 2018 | % change |
|---|---|---|---|---|
| **Staff costs** | £m | 90.2 | 101.2 | 12 |
| **Dividends** | £m | 8.6 | 10.3 | 19 |

Dividend figures relate to amounts payable in respect of the relevant financial year and includes proposed final dividend of 19.20 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 27. The Remuneration Committee has access to independent advice where it considers appropriate. No advice has been sought during 2017/18.

## STATEMENT OF VOTING AT GENERAL MEETING

At the last AGM held on 1 August 2017 the voting results in respect of the Remuneration Report Annual Statement were as follows:

| | Remuneration Report | | Remuneration Policy | |
|---|---|---|---|---|
| **Votes cast in favour** | 30,137,317 | 99.4% | 29,718,742 | 96.5% |
| **Votes cast against** | 186,956 | 0.6% | 1,085,451 | 3.5% |
| **Total votes cast** | 30,324,273 | 100% | 30,804,193 | 100.0% |
| **Abstentions** | 484,620 | | 4,700 | |

# 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 2018.**

## 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 £24.4 million (2017: £23.7 million). The directors recommend a final dividend of 19.20 pence per share.

The final dividend will be paid on 9 August 2018 to all shareholders on the register as at 29 June 2018.

## 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 41. 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 2018 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** | 2,097,648 | 5.22 |
| **Discretionary Unit Fund Managers Limited** | 2,083,500 | 5.19 |

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 17 to 19.

## 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.

## 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 20 to 24.

## POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political contributions during the year. Donations to charities amounted to £27,000 (2017: £30,000). 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 2018 was 28 days (2017: 44 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**

In 2017/18 Vp plc paid £7.0 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.

## 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 2018 the Company did not acquire any shares under the authority of the resolution passed at the Annual General Meeting.

# Directors' Report

## GOING CONCERN

The Business Review on pages 10 to 13 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 14 to 16 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 17.

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 £205 million which are subject to bank covenant testing.

The Board has evaluated the facilities and covenants on the basis of the budget for 2018/19 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**
**Group Finance Director**
**5 June 2018**

# 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 2018 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 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 2018; 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*

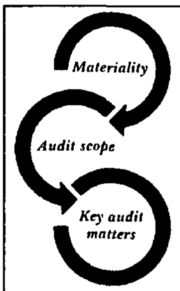
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities 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 2017 to 31 March 2018.

### Our audit approach

### *Overview*




| | |
|---|---|
| Materiality | • Overall group materiality: £1.9 million (2017: £1.7 million), based on 5% of profit before tax and amortisation.<br>• Overall parent company materiality: £0.7 million, based on 5% of profit before tax and amortisation. |
| Audit scope | • The Group audit team performed an audit of the complete financial information of the three financially significant reporting units within the Group.<br>• The reporting units over which we performed audit procedures accounted for over 80% of the Group's external revenues and 93% of the Group's profit before tax and amortisation. |
| Key audit matters | • Existence of rental equipment (Group and parent).<br>• Valuation of rental equipment (Group and parent).<br>• Brandon Hire Group Holdings Limited acquisition accounting (Group). |

### *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. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that 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.

We focused on laws and regulations that could give rise to a material misstatement in the group and parent company financial statements, including, but not limited to, the Companies Act 2006 and the Listing Rules. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, review of correspondence with legal advisors, enquiries of management, in so far as they related to the financial statements. 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.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

### *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.

# Independent Auditors' Report

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| ***Existence of rental equipment***<br>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.<br>The net book value of rental equipment was £212.8 million as at 31 March 2018 (2017: £173.9 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.<br>Group and parent | 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, and substantively testing the existence of a sample of assets.<br>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.<br>We agreed a sample of rental equipment out on hire to delivery notes. We did not identify any material exceptions from this work.<br>We attended a sample of year end rental equipment counts and:<br>- considered the design and effectiveness of count controls by understanding and observing the count procedures; and<br>- counted a sample of assets and reconciled these to both management's count and the fixed asset register.<br>Our testing did not identify rental equipment that was on the fixed asset register but not either on hire to customers or in the Group's possession at the year end.<br>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. |
| ***Valuation of rental equipment***<br>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.<br>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.<br>Group and parent | 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 performing our own independent projections using budgeted trading performance to assess the appropriateness of management's estimates.<br>We tested the appropriateness of the useful economic lives and estimated residual values applied 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.<br>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. |
| ***Brandon Hire Group acquisition accounting***<br>The Group acquired Brandon Hire Group Holdings Limited and subsidiaries on 7 November 2017 for £69.2m consideration, comprising £41.7m share consideration and £27.5m in respect of acquired loans. The allocation of consideration over net assets recognised provisional intangibles to the value of £13.2m for customer lists, £9.4m for brand and £25.4m for goodwill.<br>We focused on this area because there is a level of judgement involved in identifying intangibles upon acquisition, which given the material values involved, has resulted in a significant risk.<br>Group | Our audit work over the Brandon Hire Group acquisition comprised of a review of the signed SPA to ensure all terms were fully understood and appropriately accounted for and the point at which control was achieved has been identified correctly.<br>We utilised our internal valuation experts to assess the reasonableness of the valuation methodology and other key assumptions driving the valuation, specifically the discount rate applied. We found no inconsistencies in the assumptions used in the valuation.<br>We evaluated management's assessment of the assumptions used in the valuation of the intangible assets as follows:<br>• The discount rate has been tested for mathematical accuracy, calculation inputs agreed to company forecast data and benchmarked against comparable companies.<br>• Royalty rate used in determining brand valuation has been assessed for reasonableness through comparison to market data.<br>• Growth rates and customer attrition have been tested through analysis against historical and forecast company data.<br>• The intangibles useful economic life of 10 years has been evaluated based on our understanding of the business and similar historical acquisitions.<br>We also tested fair value adjustments made on acquisition of the completion balance sheet and tested the deferred tax arising on such adjustments and the intangibles acquired. |

### *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.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

### *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.

# Independent Auditors' Report

### *Materiality (continued)*

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

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Overall materiality** | £1.9 million (2017: £1.7 million). | £0.7 million. |
| **How we determined it** | 5% of profit before tax and amortisation. | 5% of profit before tax and amortisation. |
| **Rationale for benchmark applied** | 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. | |

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 £283,000 and £1,750,000. 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 £97,000 (Group audit) (2017: £85,000) 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. |
| 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. |

## 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 2018 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 17 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 17 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)*

# Independent Auditors' Report

***Other Code Provisions***

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

- The statement given by the directors, on page 30, 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)*

### 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 48, 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**. 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.

## Other required reporting

### 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.

### 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 4 years, covering the years ended 31 March 2015 to 31 March 2018.

Ian Morrison

**Ian Morrison (Senior Statutory Auditor)**
**for and on behalf of PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**
**Leeds**
**5 June 2018**

# Consolidated Income Statement

for the Year Ended 31 March 2018

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Revenue** | 2 | **303,639** | 248,740 |
| Cost of sales | | **(229,477)** | (181,807) |
| **Gross profit** | | **74,162** | 66,933 |
| Administrative expenses | | **(39,927)** | (33,688) |
| **Operating profit before amortisation and exceptionals** | 2 | **44,018** | 37,757 |
| Amortisation and impairment | 10 | **(8,101)** | (4,512) |
| Exceptional items | 4 | **(1,682)** | - |
| **Operating profit** | 3 | **34,235** | 33,245 |
| Financial income | 7 | **75** | 14 |
| Financial expenses | 7 | **(3,496)** | (2,920) |
| **Profit before taxation, amortisation and exceptionals** | | **40,597** | 34,851 |
| Amortisation and impairment | 10 | **(8,101)** | (4,512) |
| Exceptional items | 4 | **(1,682)** | - |
| **Profit before taxation** | | **30,814** | 30,339 |
| Income tax expense | 8 | **(6,448)** | (6,687) |
| **Profit attributable to owners of the parent** | | **24,366** | 23,652 |
| Basic earnings per 5p ordinary share | 21 | **61.72p** | 60.31p |
| Diluted earnings per 5p ordinary share | 21 | **60.95p** | 58.65p |
| Dividend per 5p ordinary share interim paid and final proposed | 20 | **26.00p** | 22.00p |

Strategic Report

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# Statements of Comprehensive Income

## Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2018

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Profit for the year** | | **24,366** | 23,652 |
| **Other comprehensive income/(expense):** | | | |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Remeasurements of defined benefit pension scheme | 25 | **275** | 366 |
| Tax on items taken to other comprehensive income | 8 | **(50)** | (70) |
| Impact of tax rate change | 8 | **(65)** | - |
| ***Items that may be subsequently reclassified to profit or loss*** | | | |
| Foreign exchange translation difference | | **(900)** | 783 |
| Effective portion of changes in fair value of cash flow hedges | | **444** | 367 |
| **Total other comprehensive (expense)/income** | | **(296)** | 1,446 |
| **Total comprehensive income for the year attributable to owners of the parent** | | **24,070** | 25,098 |

## Parent Company Statement of Comprehensive Income for the Year Ended 31 March 2018

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Profit for the year** | | **6,202** | 19,186 |
| **Other comprehensive income/(expense):** | | | |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Remeasurements of defined benefit pension scheme | 25 | **156** | 815 |
| Tax on items taken to other comprehensive income | | **(29)** | (154) |
| Impact of tax rate change | | **(58)** | - |
| ***Items that may be subsequently reclassified to profit or loss*** | | | |
| Effective portion of changes in fair value of cash flow hedges | | **444** | 367 |
| **Total other comprehensive income** | | **513** | 1,028 |
| **Total comprehensive income for the year** | | **6,715** | 20,214 |

# Statements of Changes in Equity

## Consolidated Statement of Changes in Equity for the Year Ended 31 March 2018

| | Note | Share Capital £000 | Capital Redemption Reserve £000 | Share Premium £000 | Hedging Reserve £000 | Foreign Currency Translation £000 | Retained Earnings £000 | Non-controlling Interest £000 | Total Equity £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Equity at 1 April 2016** | | **2,008** | **301** | **16,192** | **(520)** | **(170)** | **103,512** | **27** | **121,350** |
| Total comprehensive income for the year (see page 54) | | - | - | - | 367 | 783 | 23,948 | - | 25,098 |
| Tax movements to equity | 8 | - | - | - | - | - | 468 | - | 468 |
| Share option charge in the year | | - | - | - | - | - | 2,525 | - | 2,525 |
| Net movement relating to shares held by Vp Employee Trust | | - | - | - | - | - | (4,493) | - | (4,493) |
| Dividend to shareholders | 20 | - | - | - | - | - | (7,632) | - | (7,632) |
| Total change in equity during the year | | - | - | - | 367 | 783 | 14,816 | - | 15,966 |
| **Equity at 31 March 2017 and 1 April 2017** | | **2,008** | **301** | **16,192** | **(153)** | **613** | **118,328** | **27** | **137,316** |
| Total comprehensive income for the year (see page 54) | | - | - | - | 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 |
| **Equity as at 31 March 2018** | | **2,008** | **301** | **16,192** | **291** | **(287)** | **135,914** | **27** | **154,446** |

## Parent Company Statement of Changes in Equity for the Year Ended 31 March 2018

| | Note | Share Capital £000 | Capital Redemption Reserve £000 | Share Premium £000 | Hedging Reserve £000 | Hive Up Reserve £000 | Retained Earnings £000 | Total Equity £000 |
|---|---|---|---|---|---|---|---|---|
| **Equity at 1 April 2016** | | **2,008** | **301** | **16,192** | **(520)** | **-** | **31,697** | **49,678** |
| Total comprehensive income for the year (see page 54) | | - | - | - | 367 | - | 19,847 | 20,214 |
| Tax movements to equity | | - | - | - | - | - | 671 | 671 |
| Share option charge in the year | | - | - | - | - | - | 2,525 | 2,525 |
| Net movement relating to shares held Vp Employee Trust | | - | - | - | - | - | (4,493) | (4,493) |
| Dividend to shareholders | 20 | - | - | - | - | - | (7,632) | (7,632) |
| Total change in equity during the year | | - | - | - | 367 | - | 10,918 | 11,285 |
| **Equity at 31 March 2017 and 1 April 2017** | | **2,008** | **301** | **16,192** | **(153)** | **-** | **42,615** | **60,963** |
| Total comprehensive income for the year (see page 54) | | - | - | - | 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 by 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 |
| **Equity at 31 March 2018** | | **2,008** | **301** | **16,192** | **291** | **8,156** | **41,674** | **68,622** |

# Consolidated Balance Sheet

at 31 March 2018

| NET ASSETS | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **241,938** | 195,569 |
| Intangible assets | 10 | **91,477** | 47,512 |
| Employee benefits | 25 | **2,230** | 1,928 |
| **Total non-current assets** | | **335,645** | 245,009 |
| **Current assets** | | | |
| Inventories | 12 | **8,662** | 5,166 |
| Trade and other receivables | 13 | **70,915** | 49,723 |
| Cash and cash equivalents | 14 | **18,194** | 15,070 |
| **Total current assets** | | **97,771** | 69,959 |
| **Total assets** | | **433,416** | 314,968 |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | 15 | **(10,218)** | (5,823) |
| Income tax payable | | **(2,365)** | (1,514) |
| Trade and other payables | 17 | **(69,899)** | (55,270) |
| ***Total current liabilities*** | | **(82,482)** | (62,607) |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 15 | **(187,148)** | (108,180) |
| Deferred tax liabilities | 18 | **(9,340)** | (6,865) |
| **Total non-current liabilities** | | **(196,488)** | (115,045) |
| **Total liabilities** | | **(278,970)** | (177,652) |
| **Net assets** | | **154,446** | 137,316 |
| **EQUITY** | | | |
| Issued share capital | 19 | **2,008** | 2,008 |
| Capital redemption reserve | | **301** | 301 |
| Share premium | | **16,192** | 16,192 |
| Foreign currency translation reserve | | **(287)** | 613 |
| Hedging reserve | | **291** | (153) |
| Retained earnings | | **135,914** | 118,328 |
| **Total equity attributable to equity holders of the parent** | | **154,419** | 137,289 |
| **Non-controlling interest** | | **27** | 27 |
| **Total equity** | | **154,446** | 137,316 |

The financial statements on pages 53 to 89 were approved and authorised for issue by the Board of Directors on 5 June 2018 and were signed on its behalf by:

**Jeremy Pilkington**
Chairman

**Allison Bainbridge**
Director

Company number: 481833

# Parent Company Balance Sheet

at 31 March 2018

| | | 2018 | 2017 Restated* |
|---|---|---|---|
| **NET ASSETS** | **Note** | **£000** | £000 |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **113,627** | 93,179 |
| Intangible assets | 10 | **20,552** | 15,624 |
| Investments in subsidiaries | 11 | **67,763** | 27,932 |
| Employee benefits | 25 | **2,621** | 2,401 |
| Trade and other receivables | 13 | **92,391** | 45,911 |
| **Total non-current assets** | | **296,954** | 185,047 |
| **Current assets** | | | |
| Inventories | 12 | **2,468** | 1,339 |
| Trade and other receivables | 13 | **25,233** | 34,510 |
| Cash and cash equivalents | 14 | **3,608** | 2,920 |
| **Total current assets** | | **31,309** | 38,769 |
| **Total assets** | | **328,263** | 223,816 |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | 15 | **(9,747)** | (5,823) |
| Income tax payable | | **(961)** | (670) |
| Trade and other payables | 17 | **(51,595)** | (38,697) |
| **Total current liabilities** | | **(62,303)** | (45,190) |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 15 | **(186,712)** | (108,180) |
| Deferred tax liabilities | 18 | **(6,861)** | (5,100) |
| Trade and other payables | 17 | **(3,765)** | (4,383) |
| **Total non-current liabilities** | | **(197,338)** | (117,663) |
| **Total liabilities** | | **(259,641)** | (162,853) |
| **Net assets** | | **68,622** | 60,963 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Issued share capital | 19 | **2,008** | 2,008 |
| Capital redemption reserve | | **301** | 301 |
| Share premium | | **16,192** | 16,192 |
| Hedging reserve | | **291** | (153) |
| Hive up reserve | | **8,156** | - |
| **Retained earnings** | | | |
| At 1 April | | **42,615** | 31,697 |
| Profit for the financial year | | **6,202** | 19,186 |
| Other changes in retained earnings | | **(7,143)** | (8,268) |
| At 31 March | | **41,674** | 42,615 |
| **Total equity** | | **68,622** | 60,963 |

The financial statements on pages 53 to 89 were approved and authorised for issue by the Board of Directors on 5 June 2018 and were signed on its behalf by:

**Jeremy Pilkington**
Chairman

**Allison Bainbridge**
Director

Company number: 481833

*The restatement of the prior year company balance sheet reflects the correct classification of inter company balances between current and non current and removal of any netting off and had no effect on net assets.

# Consolidated Statement of Cash Flows

for the Year Ended 31 March 2018

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **30,814** | 30,339 |
| Adjustments for: | | | |
| Share based payment charges | | **2,446** | 2,525 |
| Depreciation | 9 | **40,319** | 33,481 |
| Amortisation and impairment | 10 | **8,101** | 4,512 |
| Financial expense | | **3,496** | 2,920 |
| Financial income | | **(75)** | (14) |
| Profit on sale of property, plant and equipment | | **(6,095)** | (5,809) |
| **Operating cash flow before changes in working capital and provisions** | | **79,006** | 67,954 |
| (Increase)/decrease in inventories | | **(1,049)** | 197 |
| Increase in trade and other receivables | | **(6,225)** | (3,125) |
| Increase in trade and other payables | | **1,907** | 4,860 |
| **Cash generated from operations** | | **73,639** | 69,886 |
| Interest paid | | **(3,190)** | (2,738) |
| Interest element of finance lease rental payments | | **(213)** | (183) |
| Interest received | | **75** | 14 |
| Income taxes paid | | **(7,014)** | (4,539) |
| **Net cash generated from operating activities** | | **63,297** | 62,440 |
| | | | |
| **Investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **18,518** | 16,686 |
| Purchase of property, plant and equipment | | **(71,571)** | (64,649) |
| Acquisition of businesses and subsidiaries (net of cash acquired) | 26 | **(49,660)** | (9,984) |
| **Net cash used in investing activities** | | **(102,713)** | (57,947) |
| | | | |
| **Cash flows from financing activities** | | | |
| Purchase of own shares by Employee Trust | | **(822)** | (4,493) |
| Repayment of borrowings | | **(29,036)** | (3,897) |
| New loans | | **79,000** | 19,000 |
| New finance leases | | **348** | - |
| Payment of finance lease liabilities | | **(1,275)** | (636) |
| Dividend paid | 20 | **(8,983)** | (7,632) |
| **Net cash generated from financing activities** | | **39,232** | 2,342 |
| | | | |
| Net (decrease)/increase in cash and cash equivalents | | **(184)** | 6,835 |
| Effect of exchange rate fluctuations on cash held | | **(395)** | (1,270) |
| Cash and cash equivalents as at the beginning of the year | | **10,082** | 4,517 |
| **Cash and cash equivalents as at the end of the year** | | **9,503** | 10,082 |

# Parent Company Statement of Cash Flows

for the Year Ended 31 March 2018



| | Note | 2018<br>£000 | 2017<br>£000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **8,772** | 22,690 |
| Adjustments for: | | | |
| Share based payment charges | | **2,446** | 2,525 |
| Depreciation | 9 | **13,578** | 12,635 |
| Amortisation | 10 | **5,033** | 3,092 |
| Financial expense | | **1,826** | 1,971 |
| Financial income | | **(22)** | (7) |
| Profit on sale of property, plant and equipment | | **(2,939)** | (3,041) |
| **Operating cash flow before changes in working capital and provisions** | | **28,694** | 39,865 |
| (Increase)/decrease in inventories | | **(904)** | 77 |
| Increase in trade and other receivables | | **(32,849)** | (24,919) |
| Decrease in trade and other payables | | **(3,544)** | (1,275) |
| **Cash generated from operations** | | **(8,603)** | 13,748 |
| Interest paid | | **(3,191)** | (2,621) |
| Interest element of finance lease rental payments | | **(157)** | (182) |
| Interest received | | **22** | 7 |
| Income taxes paid | | **(2,707)** | (93) |
| **Net cash (used in)/generated from operating activities** | | **(14,636)** | 10,859 |
| | | | |
| **Investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **14,536** | 9,490 |
| Purchase of property, plant and equipment | | **(29,157)** | (23,691) |
| Investment in new subsidiary | | **-** | (40) |
| Acquisition of businesses and subsidiaries (net of cash acquired) | 26 | **(41,876)** | - |
| **Net cash used in investing activities** | | **(56,497)** | (14,241) |
| | | | |
| **Cash flow from financing activities** | | | |
| Purchase of own shares by Employee Trust | | **(822)** | (4,493) |
| Repayment of borrowings | | **(129)** | - |
| New loans | | **79,000** | 19,000 |
| Payment of finance lease liabilities | | **(948)** | (556) |
| Dividend paid | 20 | **(8,983)** | (7,632) |
| **Net cash generated from financing activities** | | **68,118** | 6,319 |
| | | | |
| Net (decrease)/increase in cash and cash equivalents | | **(3,015)** | 2,937 |
| Cash and cash equivalents as at the beginning of the year | | **(2,068)** | (5,005) |
| **Cash and cash equivalents net of overdraft as at the end of the year** | | **(5,083)** | (2,068) |

# 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 2018, 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 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 2018.

**Future standards**

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

- IFRS 9 'Financial instruments' (effective for accounting periods commencing on or after 1 January 2018). The standard has been reviewed and, other than some documentation and disclosure changes, the main change will be the calculation of the bad debt provision. We have recalculated the bad debt provision at 31 March 2018 using the revised policy and the difference was an increase of less than £0.1 million.
- IFRS 15 'Revenue from contracts with customers' (effective for accounting periods commencing on or after 1 January 2018). The standard has been reviewed and other than some additional disclosure it is not expected to change the existing accounting policies and hence there will be no change to revenue or profit.

In addition the following standard is expected to have a significant impact on the Group and Company, however the Group is still considering the impact.

- IFRS 16 'Leases' (effective for accounting periods commencing on or after 1 January 2019).

**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.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

### 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.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Trade and other receivables

Trade and other receivables are stated at their due amounts less impairment losses.

### 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.

### 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 on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Income Statement.

The full service cost of the pension scheme is charged to operating profit.

# Notes

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 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.

**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 recognised from the start of hire through to the end of the agreed hire period predominately on a time apportioned basis. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer and revenue from services rendered is recognised in the Income Statement in proportion to the stage of completion of the transaction at the balance sheet date. 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.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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. The impact of a 10 pence increase in share price would increase the charge to the Income Statement by £42,000 (2017: £30,000).

### 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.

### 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 2018 have been reviewed and approved by the Audit Committee. The areas of principal accounting uncertainty are estimated useful lives of rental assets, including residual values 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 estimate 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 61). 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.

# Notes

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2018 was £303,639,000 (2017: £248,740,000). Inter-segment pricing is determined on an arm's length basis. Included within revenue is £24.6 million (2017: £15.1 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 £45.3 million (2017: £39.1 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.

### Business segments

| | **Revenue** | | | | | | **Operating profit before amortisation and exceptionals** | |
|---|---|---|---|---|---|---|---|---|
| | | **2018** | | | 2017 | | **2018** | 2017 |
| | **External Revenue £000** | **Internal Revenue £000** | **Total Revenue £000** | External Revenue £000 | Internal Revenue £000 | Total Revenue £000 | **£000** | £000 |
| UK | **271,989** | **3,850** | **275,839** | 220,015 | 3,460 | 223,475 | **43,001** | 35,871 |
| International | **31,650** | **-** | **31,650** | 28,725 | - | 28,725 | **1,017** | 1,886 |
| | **303,639** | **3,850** | **307,489** | 248,740 | 3,460 | 252,200 | **44,018** | 37,757 |

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

| | **Assets** | | **Liabilities** | | **Net Assets** | |
|---|---|---|---|---|---|---|
| | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| UK | **396,608** | 271,492 | **274,505** | 172,454 | **122,103** | 99,038 |
| International | **36,808** | 43,476 | **4,465** | 5,198 | **32,343** | 38,278 |
| | **433,416** | 314,968 | **278,970** | 177,652 | **154,446** | 137,316 |

| | **Acquired Assets** | | **Capital Expenditure** | | **Depreciation and Amortisation** | |
|---|---|---|---|---|---|---|
| | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| UK | **80,314** | - | **65,706** | 57,689 | **37,966** | 32,196 |
| International | **-** | 14,511 | **5,706** | 4,116 | **10,454** | 5,797 |
| | **80,314** | 14,511 | **71,412** | 61,805 | **48,420** | 37,993 |

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 £59.7 million (2017: £33.5 million), International £2.1 million (2017: £6.8 million).

# Notes

### 3. OPERATING PROFIT

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| **Operating profit is stated after charging/(crediting):** | | |
| Amortisation and impairment of intangible assets | **8,101** | 4,512 |
| Depreciation of property, plant and equipment – owned | **39,581** | 33,056 |
| – leased | **738** | 425 |
| Operating leases - Rent of land and buildings | **8,178** | 5,658 |
| Operating leases - Hire of other assets | **23,655** | 17,962 |
| Profit on disposal of property, plant and equipment | **(6,095)** | (5,809) |
| **Amounts paid to auditors:** | | |
| Audit fees – parent company annual accounts | **105** | 73 |
| – other group companies | **137** | 81 |
| – total group | **242** | 154 |
| | | |
| Audit related assurance services | **19** | 17 |
| 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.

### 4. EXCEPTIONAL ITEMS

During the year the Group incurred £1,682,000 of exceptional costs 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:

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Professional fees, legal costs and CMA costs | **1,141** | - |
| Restructuring costs | **541** | - |
| | **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:

| | Number of employees | |
|---|---|---|
| | 2018 | 2017 |
| Operations | **1,975** | 1,551 |
| Sales | **337** | 293 |
| Administration | **338** | 294 |
| | **2,650** | 2,138 |

The aggregate payroll costs of these persons were as follows:

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Wages and salaries | **86,917** | 76,921 |
| Social security costs | **8,198** | 6,934 |
| Pension costs | **2,467** | 2,246 |
| Share option costs including associated social security costs - equity settled | **2,853** | 3,105 |
| - cash settled | **754** | 962 |
| | **101,189** | 90,168 |

# Notes

### 5. EMPLOYMENT COSTS (continued)

**Company**

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

| | Number of employees | |
|---|---|---|
| | **2018** | 2017 |
| Operations | **442** | 366 |
| Sales | **123** | 96 |
| Administration | **140** | 121 |
| | **705** | 583 |

The aggregate payroll costs of these persons were as follows:

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **28,454** | 23,437 |
| Social security costs | **3,113** | 2,540 |
| Pension costs | **532** | 535 |
| Share option costs including associated social security costs - equity settled | **1,482** | 1,911 |
| - cash settled | **754** | 962 |
| | **34,335** | 29,385 |

### 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:

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Basic remuneration including bonus and benefits | **1,857** | 1,969 |
| Cash allowances/pension contributions | **295** | 302 |
| Share options | **1,241** | 1,317 |
| | **3,393** | 3,588 |

Further details of directors' remuneration, pensions and share options, including the highest paid director, are given in the Remuneration Report on pages 32 to 44.

### 7. FINANCIAL INCOME AND EXPENSES

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Financial income: | | |
| Bank and other interest receivable | **75** | 14 |
| Financial expenses: | | |
| Bank loans, overdrafts and other interest | **(3,283)** | (2,737) |
| Finance charges payable in respect of finance leases and hire purchase contracts | **(213)** | (183) |
| | **(3,496)** | (2,920) |

# Notes

## 8. INCOME TAX EXPENSE

| | 2018 | 2017 |
|---|---|---|
| **Current tax expense** | **£000** | £000 |
| UK Corporation tax charge at 19% (2017: 20%) | **6,915** | 5,705 |
| Overseas tax - current year | **782** | 777 |
| Adjustments in respect of prior years - UK | **364** | (872) |
| Adjustments in respect of prior years - Overseas | **67** | 212 |
| Total current tax | **8,128** | 5,822 |
| **Deferred tax expense** | | |
| Current year deferred tax | **(605)** | 56 |
| Impact of tax rate change | **(829)** | - |
| Adjustments to deferred tax in respect of prior years | **(246)** | 809 |
| Total deferred tax | **(1,680)** | 865 |
| Total tax expense in income statement | **6,448** | 6,687 |

**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:

| | 2018 | 2018 | 2017 | 2017 |
|---|---|---|---|---|
| | **%** | **£000** | % | £000 |
| Profit before tax | | **30,814** | | 30,339 |
| Profit multiplied by standard rate of corporation tax | **19.0** | **5,855** | 20.0 | 6,068 |
| Effects of: | | | | |
| Impact of tax rate changes | **(2.7)** | **(829)** | - | - |
| Expenses not deductible for tax purposes | **0.9** | **294** | 0.6 | 193 |
| Non-qualifying depreciation and amortisation | **0.7** | **229** | 0.7 | 211 |
| Gains covered by exemption/losses | **(1.2)** | **(382)** | (1.4) | (431) |
| Overseas tax rate | **0.5** | **152** | 0.1 | 16 |
| Adjustments in respect of prior years | **0.6** | **185** | 0.5 | 149 |
| Other | **-** | **-** | (0.1) | (15) |
| Impairment of intangibles | **3.1** | **944** | 1.6 | 496 |
| Total tax charge for the year | **20.9** | **6,448** | 22.0 | 6,687 |

| **Tax recognised in reserves** | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Other comprehensive income: | | |
| Tax relating to actuarial gains on defined benefit pension scheme | **51** | 71 |
| Tax relating to historic asset revaluations | **(1)** | (1) |
| Impact of tax rate change | **65** | - |
| | **115** | 70 |
| Direct to equity: | | |
| Deferred tax relating to share based payments | **60** | 302 |
| Current tax relating to share based payments | **(232)** | (973) |
| Impact of tax rate change | **25** | - |
| Items recognised in equity | **(272)** | 203 |
| | **(419)** | (468) |
| Total | **(304)** | (398) |

The corporation tax rate for the year ended 31 March 2018 was 19% (2017: 20%). 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. In the prior year this reduction was not reflected as it was expected a substantial proportion of the balance would have reversed by 31 March 2020.

The main reconciling items are:

- The impact of the tax rate changes; reflects the future reduction in the tax rate to 17% in the UK
- Expenses not deductible for tax purposes; primarily professional fees associated with capital transactions 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; the rates in Australia and Germany are higher than the UK tax rate
- 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 recoverability of overseas tax and the assumption for disallowed expenses and capital gains
- Impairment of intangibles; this relates to the write down of goodwill where there is no tax relief.

The reconciling items relating to the tax rate change and impairment of intangibles are non recurring in the normal course of business, all the other items will be expected to re-occur on a regular basis, albeit the prior year adjustments 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% over the standard rate of tax.

# Notes

### 9. PROPERTY, PLANT AND EQUIPMENT

**GROUP**

| | Land and Buildings | Rental Equipment | Motor Vehicles | Other Assets | Total |
|---|---|---|---|---|---|
| **Cost or deemed cost** | **£000** | **£000** | **£000** | **£000** | **£000** |
| At 1 April 2016 | 22,865 | 261,623 | 2,774 | 13,109 | 300,371 |
| Additions | 1,820 | 57,564 | 274 | 2,147 | 61,805 |
| Acquisitions | 312 | 13,576 | 203 | 1,256 | 15,347 |
| Disposals | (1,014) | (28,536) | (303) | (565) | (30,418) |
| Exchange rate differences | 74 | 3,109 | 60 | 227 | 3,470 |
| Transfer between categories | (67) | (2) | - | 69 | - |
| At 31 March 2017 | 23,990 | 307,334 | 3,008 | 16,243 | 350,575 |
| Additions | 2,638 | 64,860 | 249 | 3,665 | 71,412 |
| Acquisitions | 6,342 | 64,720 | 648 | 16,167 | 87,877 |
| 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 | 32,721 | 401,984 | 3,223 | 35,869 | 473,797 |
| **Depreciation and impairment losses** | | | | | |
| At 1 April 2016 | 8,054 | 114,379 | 2,004 | 8,733 | 133,170 |
| Charge for year | 1,082 | 30,236 | 393 | 1,770 | 33,481 |
| On disposals | (992) | (17,728) | (284) | (537) | (19,541) |
| Acquisitions | 270 | 5,433 | 60 | 734 | 6,497 |
| Exchange rate differences | 61 | 1,146 | 49 | 143 | 1,399 |
| Transfer between categories | (13) | (1) | - | 14 | - |
| At 31 March 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 | 41,715 | 249 | 14,725 | 59,540 |
| Exchange rate differences | (32) | (358) | (8) | (80) | (478) |
| Transfer between categories | 30 | (343) | 63 | 250 | - |
| At 31 March 2018 | 12,658 | 189,206 | 2,244 | 27,751 | 231,859 |
| **Net book value** | | | | | |
| **At 31 March 2018** | **20,063** | **212,778** | **979** | **8,118** | **241,938** |
| At 31 March 2017 | 15,528 | 173,869 | 786 | 5,386 | 195,569 |
| At 31 March 2016 | 14,811 | 147,244 | 770 | 4,376 | 167,201 |

**COMPANY**

| | Land and Buildings | Rental Equipment | Motor Vehicles | Other Assets | Total |
|---|---|---|---|---|---|
| **Cost or deemed cost** | **£000** | **£000** | **£000** | **£000** | **£000** |
| At 1 April 2016 | 15,384 | 137,972 | 1,439 | 7,201 | 161,996 |
| Additions | 385 | 20,196 | 42 | 1,082 | 21,705 |
| Group transfers in | - | 1,902 | 153 | 19 | 2,074 |
| Group transfers out | - | (2,273) | - | - | (2,273) |
| Disposals | - | (11,528) | (56) | (8) | (11,592) |
| At 31 March 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 |
| **Depreciation and impairment losses** | | | | | |
| At 1 April 2016 | 4,344 | 62,717 | 898 | 4,743 | 72,702 |
| Charge for year | 413 | 11,216 | 219 | 787 | 12,635 |
| Group transfers in | 8 | 753 | 42 | 7 | 810 |
| Group transfers out | - | (706) | - | - | (706) |
| On disposals | - | (6,659) | (48) | (3) | (6,710) |
| At 31 March 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 |
| **Net book value** | | | | | |
| **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 |
| At 31 March 2016 | 11,040 | 75,255 | 541 | 2,458 | 89,294 |

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

The cost or deemed cost of land and buildings for the Group and the Company includes £3,204,000 (2017: £3,204,000) of freehold land not subject to depreciation.

Included in the total net book value of fixed assets of the Group is £2,767,000 (2017: £2,810,000) in respect of assets held under finance leases and similar hire purchase contracts, Company £1,810,000 (2017: £2,810,000). Depreciation for the year on these Group assets was £738,000 (2017: £425,000) and £587,000 (2017: £425,000) 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.

### 10. INTANGIBLE ASSETS

| GROUP | Trade Names £000 | Customer Relationships £000 | Supply Agreements £000 | Goodwill £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | |
| At 1 April 2016 | 2,385 | 7,891 | 4,989 | 40,183 | 55,448 |
| Acquired through business combinations | 1,709 | 1,841 | - | 2,111 | 5,661 |
| At 31 March 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 | - | 26,685 | 51,977 |
| At 31 March 2018 | 13,897 | 25,241 | 4,989 | 69,010 | 113,137 |
| **Accumulated amortisation and impairment** | | | | | |
| At 1 April 2016 | 696 | 5,009 | 2,504 | 876 | 9,085 |
| Amortisation | 248 | 865 | 745 | - | 1,858 |
| Impairment | 35 | 138 | - | 2,481 | 2,654 |
| At 31 March 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 |
| **Carrying amount** | | | | | |
| **At 31 March 2018** | **12,309** | **17,819** | **994** | **60,355** | **91,477** |
| At 31 March 2017 | 3,115 | 3,720 | 1,740 | 38,937 | 47,512 |
| At 31 March 2016 | 1,689 | 2,882 | 2,485 | 39,307 | 46,363 |

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 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **£000** | £000 | **£000** | £000 |
| Groundforce/TPA | **15,837** | 15,837 | **1,400** | 1,400 |
| Airpac Bukom | **-** | 4,762 | **-** | - |
| UK Forks | **2,043** | 2,043 | **-** | - |
| Hire Station | **14,948** | 14,227 | **-** | - |
| TR | **2,099** | 2,068 | **-** | - |
| Brandon Hire | **25,428** | - | **-** | - |
| | **60,355** | 38,937 | **1,400** | 1,400 |

An intangible asset of £1,400,000 (2017: £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.

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

# Notes

## 10. INTANGIBLE ASSETS (continued)

tests goodwill annually for impairment or more frequently if there are any indications that goodwill might be impaired. Following this assessment the goodwill associated with the acquisition of Bukom in 2006 has been 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 have also been written off as we no longer trade from the acquired locations. In the prior year an impairment charge was booked in relation to the goodwill and remaining intangibles for the U Mole acquisition as it was no longer a significant trading activity. These impairments have been charged to cost of sales. The charges relate to the CGUs shown on page 70 and are goodwill £5,298,000 (2017: £2,481,000) and intangibles £Nil (2017: £173,000).

The pre tax discount rate applied to all CGU's was 7% (2017: 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. The compound annual growth rate in PBTA experienced by the Group was 18.5% over the last 5 years and therefore could have been justifiably used in the projections.

| **COMPANY** | **Trade Names** | **Customer Relationships** | **Supply Agreements** | **Goodwill** | **Total** |
|---|---|---|---|---|---|
| **Cost or deemed cost** | **£000** | **£000** | **£000** | **£000** | **£000** |
| At 1 April 2016 | 643 | 3,750 | 394 | 17,031 | 21,818 |
| Acquired through business combinations | - | - | - | 38 | 38 |
| At 31 March 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 |
| **Accumulated amortisation** | | | | | |
| At 1 April 2016 | 370 | 2,376 | 394 | - | 3,140 |
| Amortisation charge | 64 | 374 | - | - | 438 |
| Impairment | 35 | 138 | - | 2,481 | 2,654 |
| At 31 March 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 |
| **Carrying amount** | | | | | |
| **At 31 March 2018** | **1,547** | **1,258** | **-** | **17,747** | **20,552** |
| At 31 March 2017 | 174 | 862 | - | 14,588 | 15,624 |
| At 31 March 2016 | 273 | 1,374 | - | 17,031 | 18,678 |

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 current year and U Mole in the previous year.

## 11. INVESTMENTS IN SUBSIDIARIES

| **COMPANY** | |
|---|---|
| **Cost** | **£000** |
| At 1 April 2016 | 29,617 |
| Investment in new subsidiary | 40 |
| Transfer to goodwill relating to prior year acquisition | (38) |
| At 31 March 2017 | 29,619 |
| Acquisitions | 42,014 |
| Write down of investments | (2,200) |
| Inter Group transfer of Vp GmbH shares | 17 |
| At 31 March 2018 | 69,450 |
| **Impairment** | |
| At 1 April 2016, 31 March 2017 and 31 March 2018 | 1,687 |
| **Carrying amount** | |
| **At 31 March 2018** | **67,763** |
| At 31 March 2017 | 27,932 |
| At 31 March 2016 | 27,930 |

See note 30 for details of subsidiary undertakings.

The write down of investments 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.

# Notes

## 12. INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **£000** | £000 | **£000** | £000 |
| Raw materials and consumables | **3,466** | 2,907 | **1,647** | 1,087 |
| Goods for resale | **5,196** | 2,259 | **821** | 252 |
| | **8,662** | 5,166 | **2,468** | 1,339 |

During the year, as a result of the year end assessment of inventory, there was a £1,077,000 increase in the provision for impairment of inventories (2017: £137,000 decrease), although the majority of the increase related to acquired businesses. The provision reflects the Group's best estimate of potential inventory obsolescence. The cost of goods for resale expensed during the year was £17.8 million (2017: 10.8 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.

## 13. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| **Current assets** | **2018** | 2017 | **2018** | 2017 |
| | **£000** | £000 | **£000** | £000 |
| Gross trade receivables | **69,223** | 47,436 | **20,248** | 17,065 |
| Trade receivables provisions | **(6,335)** | (3,705) | **(2,185)** | (1,990) |
| Amounts owed by subsidiary undertakings | **-** | - | **3,850** | 16,566 |
| Other receivables | **744** | 429 | **354** | - |
| Prepayments and accrued income | **7,283** | 5,563 | **2,966** | 2,869 |
| | **70,915** | 49,723 | **25,233** | 34,510 |

Within Group and Company other receivables is £0.4 million (2017: £Nil 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 £14,967,000 (2017: £1,781,000) being the fair value of receivables.

During the year there was a increase in the provisions for impairment of trade receivables of £2,630,000 (2017: £105,000 decrease), although the majority of this increase was due to acquisitions. The valuation of the provision reflects the Group's best estimates of likely impairment as a result of the aging of the debt 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:

| | 2018 | 2017 |
|---|---|---|
| | **£000** | £000 |
| Not overdue | **41,426** | 31,081 |
| 0 - 30 days overdue | **16,219** | 9,370 |
| 31 - 90 days overdue | **2,856** | 2,392 |
| More than 90 days overdue | **2,387** | 888 |
| | **62,888** | 43,731 |

On this basis there are £21.5 million (2017: £12.7 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 2018 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.

| | Group | | Company | |
|---|---|---|---|---|
| **Non current assets** | **2018** | 2017 | **2018** | 2017 |
| | **£000** | £000 | **£000** | £000 |
| Amounts owed by subsidiary undertakings | **-** | - | **92,391** | 45,911 |

## 14. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **£000** | £000 | **£000** | £000 |
| Bank balances | **18,194** | 15,070 | **3,608** | 2,920 |
| Overdraft | **(8,691)** | (4,988) | **(8,691)** | (4,988) |
| Cash and cash equivalents as per cash flow statement | **9,503** | 10,082 | **(5,083)** | (2,068) |

# Notes

### 15. INTEREST-BEARING LOANS AND BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **£000** | £000 | **£000** | £000 |
| **Current liabilities** | | | | |
| Bank overdraft | **8,691** | 4,988 | **8,691** | 4,988 |
| Obligations under finance leases and hire purchase contracts | **1,527** | 835 | **1,056** | 835 |
| | **10,218** | 5,823 | **9,747** | 5,823 |
| **Non-current liabilities** | | | | |
| Secured bank loans | **186,000** | 107,000 | **186,000** | 107,000 |
| Obligations under finance leases and hire purchase contracts | **1,148** | 1,180 | **712** | 1,180 |
| | **187,148** | 108,180 | **186,712** | 108,180 |

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

| | 2018 | 2017 |
|---|---|---|
| | **£000** | £000 |
| Total borrowing | **197,366** | 114,003 |
| Cash or cash equivalents | **(18,194)** | (15,070) |
| Net debt | **179,172** | 98,933 |

The repayment schedule of the carrying amount of the non-current borrowings as at 31 March 2018 is:

| | Group | | Company | |
|---|---|---|---|---|
| **Due in more than one year but not more than two years:** | **2018** | 2017 | **2018** | 2017 |
| | **£000** | £000 | **£000** | £000 |
| Obligations under finance leases and hire purchase contracts | **665** | 739 | **463** | 739 |
| | **665** | 739 | **463** | 739 |
| **Due in more than two years but not more than five years:** | | | | |
| Secured bank loans | **186,000** | 107,000 | **186,000** | 107,000 |
| Obligations under finance leases and hire purchase contracts | **483** | 441 | **249** | 441 |
| **Total** | **186,483** | 107,441 | **186,249** | 107,441 |

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 2018 were £14.0 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 14 to 16 and the Risk Management Report on pages 17 and 18. 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** | **Contractual cash flows** | **Less than 1 year** | **1-2 years** | **2-5 years** |
|---|---|---|---|---|---|
| **31 March 2018** | **£000** | **£000** | **£000** | **£000** | **£000** |
| 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 | 62,695 | 62,695 | 62,695 | - | - |
| | 260,061 | 273,291 | 77,019 | 4,687 | 191,585 |
| **31 March 2017** | | | | | |
| Secured bank loans | 107,000 | 115,098 | 2,054 | 2,054 | 110,990 |
| Bank overdraft | 4,988 | 4,988 | 4,988 | - | - |
| Finance lease liabilities | 2,015 | 2,263 | 935 | 821 | 507 |
| Trade and other payables | 49,111 | 49,111 | 49,111 | - | - |
| | 163,114 | 171,460 | 57,088 | 2,875 | 111,497 |

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

| COMPANY | Carrying amount | Contractual cash flows | Less than 1 year | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| **31 March 2018** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| 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 |
| | 250,011 | 263,183 | 63,583 | 4,485 | 191,350 | 3,765 |
| **31 March 2017** | | | | | | |
| Secured bank loans | 107,000 | 115,098 | 2,054 | 2,054 | 110,990 | - |
| Bank overdraft | 4,988 | 4,988 | 4,988 | - | - | - |
| Finance lease liabilities | 2,015 | 2,263 | 935 | 821 | 507 | - |
| Trade and other payables | 40,890 | 40,890 | 36,507 | - | - | 4,383 |
| | 154,893 | 163,239 | 44,484 | 2,875 | 111,497 | 4,383 |

**Hire purchase and finance lease liabilities**

| GROUP | Payment 2018 £000 | Interest 2018 £000 | Principal 2018 £000 | Payment 2017 £000 | Interest 2017 £000 | Principal 2017 £000 |
|---|---|---|---|---|---|---|
| Less than one year | **1,729** | **202** | **1,527** | 935 | 100 | 835 |
| One to two years | **723** | **58** | **665** | 821 | 82 | 739 |
| Two to five years | **519** | **36** | **483** | 507 | 66 | 441 |
| | **2,971** | **296** | **2,675** | 2,263 | 248 | 2,015 |

| COMPANY | Payment 2018 £000 | Interest 2018 £000 | Principal 2018 £000 | Payment 2017 £000 | Interest 2017 £000 | Principal 2017 £000 |
|---|---|---|---|---|---|---|
| Less than one year | **1,201** | **145** | **1,056** | 935 | 100 | 835 |
| One to two years | **521** | **58** | **463** | 821 | 82 | 739 |
| Two to five years | **284** | **35** | **249** | 507 | 66 | 441 |
| | **2,006** | **238** | **1,768** | 2,263 | 248 | 2,015 |

### 16. FINANCIAL INSTRUMENTS

During the year the Group had fifteen 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 |
|---|---|---|---|
| April 2014 | April 2017 | 1,500,000 | 1.400% |
| April 2014 | April 2017 | 1,500,000 | 1.390% |
| 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% |

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

| Start date | Finish date | Notional Debt value | Fixed margin |
|---|---|---|---|
| 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% |

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 eleven foreign exchange hedges to reduce the risk of foreign exchange fluctuations between US dollars and Sterling in the year ended 31 March 2018. It also has further foreign exchange hedges between US dollars and Sterling covering the period from 1 April 2018 to 30 June 2019. 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 2018 | | | | 31 March 2017 |
|---|---|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** | **Level 3** | Total |
| | **£000** | **£000** | **£000** | **£000** | £000 |
| Financial liabilities/(assets) at fair value: | | | | | |
| Interest rate swaps | **(167)** | **-** | **(167)** | **-** | 156 |
| Forward exchange rate agreements | **(187)** | **-** | **(187)** | **-** | 172 |
| | **(354)** | **-** | **(354)** | **-** | 328 |

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 2018 | | |
|---|---|---|---|
| | **Interest rate swaps** | **Forward exchange rate agreements** | **Total** |
| | **£000** | **£000** | **£000** |
| Opening liability | **156** | **172** | **328** |
| Other comprehensive income | **(323)** | **(121)** | **(444)** |
| Recycled to income statement | **-** | **(238)** | **(238)** |
| Closing asset | **(167)** | **(187)** | **(354)** |

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 15 and 16 and the Principal Risks and Uncertainties on page 19, 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) | |
|---|---|---|
| | **2018** | 2017 |
| **10% strengthening of Sterling against:** | **£000** | £000 |
| US Dollar | **128** | (106) |
| Australian Dollar | **(145)** | (115) |
| Singapore Dollar | **56** | 52 |
| Euro | **136** | (31) |
| **10% weakening of Sterling against:** | | |
| US Dollar | **(154)** | 129) |
| Australian Dollar | **177** | 140 |
| Singapore Dollar | **(69)** | (67) |
| Euro | **(152)** | 39 |
| **10% movement in Sterling interest rates:** | | |
| Increase in interest rates | **(199)** | (124) |
| Decrease in interest rates | **199** | 124 |

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

## 17. TRADE AND OTHER PAYABLES

| **Current liabilities** | Group | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **£000** | £000 | **£000** | £000 |
| Trade payables | **31,385** | 21,481 | **9,525** | 6,534 |
| Amounts owed to subsidiary undertakings | **-** | - | **27,939** | 19,292 |
| Other taxes and social security | **7,204** | 6,159 | **1,808** | 2,190 |
| Other payables | **7,147** | 8,754 | **46** | 374 |
| Accruals and deferred income | **24,163** | 18,876 | **12,277** | 10,307 |
| | **69,899** | 55,270 | **51,595** | 38,697 |

Within Group and Company other payables is £Nil million (2017: £0.3 million) in relation to interest rate swaps and foreign exchange rate agreements which are valued at fair value. In addition within accruals is £1.8 million (2017: £1.0 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.

| **Non current liabilities** | | | | |
|---|---|---|---|---|
| Amounts owed to subsidiary undertakings | **-** | - | **3,765** | 4,383 |

# Notes

## 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 2016 | | 5,468 | 1,383 | (1,215) | (340) | 5,296 |
| Recognised on acquisition | | (11) | 674 | (244) | (136) | 283 |
| Recognised in income statement | | 1,449 | (219) | (74) | (291) | 865 |
| Recognised in equity | 8 | - | - | 372 | - | 372 |
| Foreign exchange | | (4) | 117 | (36) | (28) | 49 |
| At 31 March 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** |

| COMPANY | Note | Property, plant and equipment £000 | Intangible assets £000 | Employee benefits £000 | Other items £000 | Total £000 |
|---|---|---|---|---|---|---|
| 1 April 2016 | | 4,317 | 498 | (1,215) | (149) | 3,451 |
| Recognised on acquisition | | (4) | - | - | - | (4) |
| Recognised in income statement | | 1,367 | (97) | (17) | (56) | 1,197 |
| Recognised in equity | | (1) | - | 457 | - | 456 |
| At 31 March 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** |

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.

## 19. CAPITAL AND RESERVES

| Ordinary share capital | **2018 £000** | 2017 £000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 40,154,253 Ordinary shares of 5 pence each (2017: 40,154,253) | **2,008** | 2,008 |

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 page 55. The 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 £5,067,000 (2017: £5,521,000) in respect of own shares held by the Vp Employee Trust. The Trust acts as a repository of issued Company shares and held 616,000 shares (2017: 766,000) with a market value at 31 March 2018 of £5,236,000 (2017: £6,238,000).

# Notes

## 20. DIVIDENDS

| | 2018 | 2017 |
|---|---|---|
| | **£000** | £000 |
| Amounts recognised as distributions to equity holders of the Parent in the year: | | |
| Ordinary shares: | | |
| Final paid 16.0p (2017: 13.50p) per share | **6,286** | 5,274 |
| Interim paid 6.8p (2017: 6.00p) per share | **2,697** | 2,358 |
| | **8,983** | 7,632 |

The dividend paid in the year is after dividends were waived to the value of £172,000 (2017: £198,000) 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 19.20p per share which will absorb an estimated £7,597,000 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 61.72 pence (2017: 60.31 pence) was based on the profit attributable to equity holders of the Parent of £24,366,000 (2017: £23,652,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2018 of 39,476,000 (2017: 39,215,000), calculated as follows:

| | 2018 | 2017 |
|---|---|---|
| | **Shares** | Shares |
| | **000s** | 000s |
| Issued ordinary shares | **40,154** | 40,154 |
| Effect of own shares held | **(678)** | (939) |
| Weighted average number of ordinary shares | **39,476** | 39,215 |

Basic earnings per share before the amortisation of intangibles and exceptionals was 81.80 pence (2017: 69.52 pence) and is based on an after tax add back of £7,924,000 (2017: £3,610,000) in respect of the amortisation of intangibles and exceptionals.

### Diluted earnings per share

The calculation of diluted earnings per share of 60.95 pence (2017: 58.65 pence) was based on profit attributable to equity holders of the Parent of £24,366,000 (2017: £23,652,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2018 of 39,976,000 (2017: 40,330,000), calculated as follows:

| | 2018 | 2017 |
|---|---|---|
| | **Shares** | Shares |
| | **000s** | 000s |
| Weighted average number of ordinary shares | **39,476** | 39,215 |
| Effect of share options | **500** | 1,115 |
| Weighted average number of ordinary shares (diluted) | **39,976** | 40,330 |

Diluted earnings per share before the amortisation of intangibles and exceptionals was 80.77 pence (2017: 67.60 pence).

# Notes

## 22. SHARE OPTION SCHEMES

### SAYE Scheme

During the year options over a further 344,361 shares were granted under the SAYE scheme at a price of 696 pence. The outstanding options at the year end were:

| Date of Grant | Price per share | Number of shares |
|---|---|---|
| July 2014 | 530p | 1,358 |
| July 2015 | 620p | 221,815 |
| July 2016 | 600p | 273,780 |
| July 2017 | 696p | 314,448 |
| | | 811,401 |

All the options are exercisable between 3 and 3.5 years. At 31 March 2018 there were 933 employees saving an average £155 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 132,700 shares were granted during the year at a price of 870 pence. The options outstanding at the year end were:

| Date of Grant | Price per share | Number of shares |
|---|---|---|
| July 2008 | 213.0p | 3,122 |
| July 2009 | 154.0p | 1,640 |
| July 2011 | 249.5p | 4,000 |
| July 2012 | 266.5p | 9,750 |
| July 2013 | 389.0p | 20,650 |
| July 2014 | 680.0p | 73,700 |
| July 2015 | 770.0p | 131,000 |
| July 2016 | 657.0p | 136,400 |
| July 2017 | 870.0p | 128,600 |
| | | 508,862 |

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2015 to 2017 are subject to achievement of performance targets over a three year period. The awards for 2014 and prior are vested, but not yet exercised.

### Unapproved Share Option Scheme

Options over 398,100 shares were granted during the year at a price of 870 pence. The options outstanding at the year end were:

| Date of Grant | Price per share | Number of shares |
|---|---|---|
| July 2009 | 154.0p | 4,100 |
| July 2011 | 249.5p | 35,000 |
| July 2012 | 266.5p | 91,000 |
| July 2013 | 389.0p | 155,850 |
| July 2014 | 680.0p | 227,150 |
| July 2015 | 770.0p | 244,000 |
| July 2016 | 657.0p | 482,800 |
| July 2017 | 870.0p | 391,400 |
| | | 1,631,300 |

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2015 to 2017 are subject to achievement of performance targets over a three year period. The awards for 2014 and prior are vested, but not yet exercised.

## 22. SHARE OPTION SCHEMES (continued)

**Long-Term Incentive Plan**

Awards were made during the year in relation to a further 262,200 shares. Shares outstanding at the year end were:

| Date of Grant | Number of shares |
|---|---|
| July 2013 | 7,300 |
| July 2014 | 256,300 |
| July 2015 | 237,400 |
| July 2016 | 328,000 |
| July 2017 | 262,200 |
| | 1,091,200 |

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2015 to 2017 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 34. The awards for 2014 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 2008 | 446 |
| August 2009 | 7,657 |
| 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 |
| | 96,284 |

These options are exercisable between the third and tenth anniversary of the grant. The awards for 2015 to 2016 are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 34. The awards for 2014 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 2018 was 850 pence (2017: 814.5 pence), the highest market value in the year to 31 March 2018 was 937.5 pence and the lowest 792.5 pence. The average share price during the year was 850.4 pence.

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

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Weighted average exercise price** | **Number of options 000s** | Weighted average exercise price | Number of options 000s |
| Outstanding at beginning of the year | **447p** | **3,779** | 362p | 4,321 |
| Lapsed during the year | **663p** | **(207)** | 627p | (270) |
| Exercised during the year | **476p** | **(570)** | 225p | (1,667) |
| Granted during the year | **617p** | **1,137** | 478p | 1,395 |
| Outstanding at the end of the year | **479p** | **4,139** | 447p | 3,779 |
| Exercisable at the year end | **330p** | **947** | 296p | 589 |

The options outstanding at 31 March 2018 have an exercise price in the range of 0.0p to 870p and have a weighted average life of 2.1 years.

# Notes

## 22. SHARE OPTION SCHEMES (continued)

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 options granted during the year were in the following ranges:

| | **2018** | 2017 |
|---|---|---|
| Weighted average fair value per share | **274.4p** | 228.5p |
| Share price at date of grant | **870.0p** | 657.0p to 750.0p |
| Exercise price (details provided above) | **0p to 870.0p** | 0p to 657.0p |
| Expected volatility | **11.0% to 11.1%** | 10.2% to 12.8% |
| Option life | **3 to 10 years** | 3 to 10 years |
| Expected divided yield | **2.8%** | 2.8% to 3.2% |
| Risk free rate | **0.25%** | 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 £1,754,000 (2017: £1,038,000). £660,000 of this liability had vested at the year end (2017: £nil).

## 23. OPERATING LEASES

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

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Land and buildings £000** | **Other £000** | Land and buildings £000 | Other £000 |
| **GROUP** | | | | |
| Operating leases which expire: | | | | |
| Within one year | **9,145** | **10,601** | 4,816 | 4,645 |
| In the second to fifth years inclusive | **25,002** | **13,997** | 8,737 | 4,693 |
| Over five years | **16,776** | **33** | 561 | - |
| | **50,923** | **24,631** | 14,114 | 9,338 |
| **COMPANY** | | | | |
| Operating leases which expire: | | | | |
| Within one year | **1,079** | **4,752** | 913 | 3,098 |
| In the second to fifth years inclusive | **2,676** | **6,377** | 1,853 | 2,310 |
| Over five years | **853** | - | 129 | - |
| | **4,608** | **11,129** | 2,895 | 5,408 |

## 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** | |
|---|---|---|---|---|
| | **2018 £000** | 2017 £000 | **2018 £000** | 2017 £000 |
| Contracted | **8,349** | 9,561 | **4,743** | 2,165 |

# Notes

## 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. In addition, Torrent Trackside participate in a small section of the Railways Pension Scheme. 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 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 are subject to 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 2018 was 13 years. This average duration reflects the fact that the Scheme now only has deferred members and pension members.

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 2015. The valuation revealed a funding surplus of £148,000. The Company agreed to pay annual contributions of 37.9% of members' pensionable salaries each year to meet the cost of future service accrual. However, following the retirement of the last active member of the Scheme, the Company does not expect to pay any contributions into the Scheme during the accounting year beginning 1 April 2018. 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 2015, 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 significantly in diversified growth assets. 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 our 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 active 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 2018 was 22 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 £15,000 to the Section during the accounting year beginning 1 April 2018. 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 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, which may not be 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 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **£000** | £000 | **£000** | £000 |
| Present value of defined benefit obligation | **(10,388)** | (11,402) | **(8,902)** | (9,885) |
| Fair value of scheme assets | **12,618** | 13,330 | **11,523** | 12,286 |
| Present value of net surplus | **2,230** | 1,928 | **2,621** | 2,401 |

# Notes

**25. EMPLOYEE BENEFITS** (continued)

The movement in the defined benefit surplus is as follows:

| **Group** | **2018 Present value of obligation £000** | **2018 Fair value of assets £000** | **2018 Total £000** | 2017 Present value of obligation £000 | 2017 Fair value of assets £000 | 2017 Total £000 |
|---|---|---|---|---|---|---|
| At beginning of year | **(11,402)** | **13,330** | **1,928** | (9,058) | 10,592 | 1,534 |
| Current service cost | **(56)** | **(4)** | **(60)** | (59) | - | (59) |
| Interest (cost)/income | **(273)** | **321** | **48** | (329) | 371 | 42 |
| Re-measurements | | | | | | |
| Actuarial gains: change in demographic assumptions | **171** | **-** | **171** | - | - | - |
| Actuarial gains/(losses): change in financial assumptions | **142** | **-** | **142** | (1,361) | - | (1,361) |
| Recognition of Railways pension scheme | **-** | **-** | **-** | (1,141) | 872 | (269) |
| Actuarial (losses)/gains: experience differing from that assumed | **(13)** | **-** | **(13)** | 48 | - | 48 |
| Actuarial (losses)/gains: actual return on assets | **-** | **(25)** | **(25)** | - | 1,948 | 1,948 |
| Contributions: employer | **-** | **39** | **39** | - | 45 | 45 |
| Contributions: employees | **(13)** | **13** | **-** | (16) | 16 | - |
| Benefits paid | **1,056** | **(1,056)** | **-** | 514 | (514) | - |
| | **(10,388)** | **12,618** | **2,230** | (11,402) | 13,330 | 1,928 |

| **Company** | **2018 Present value of obligation £000** | **2018 Fair value of assets £000** | **2018 Total £000** | 2017 Present value of obligation £000 | 2017 Fair value of assets £000 | 2017 Total £000 |
|---|---|---|---|---|---|---|
| At beginning of year | **(9,885)** | **12,286** | **2,401** | (9,058) | 10,592 | 1,534 |
| Current service cost | **(16)** | **-** | **(16)** | (18) | - | (18) |
| Interest (cost)/income | **(235)** | **295** | **60** | (291) | 342 | 51 |
| Re-measurements | | | | | | |
| Actuarial gains: change in demographic assumptions | **137** | **-** | **137** | - | - | - |
| Actuarial gains/(losses): change in financial assumptions | **109** | **-** | **109** | (1,048) | - | (1,048) |
| Actuarial (losses)/gains: experience differing from that assumed | **(12)** | **-** | **(12)** | 27 | - | 27 |
| Actuarial (losses)/gains: actual return on assets | **-** | **(78)** | **(78)** | - | 1,836 | 1,836 |
| Contributions: employer | **-** | **20** | **20** | - | 19 | 19 |
| Contributions: employees | **(3)** | **3** | **-** | (3) | 3 | - |
| Benefits paid | **1,003** | **(1,003)** | **-** | 506 | (506) | - |
| | **(8,902)** | **11,523** | **2,621** | (9,885) | 12,286 | 2,401 |

| **Expense/(income) recognised in the Income Statement** | **Group 2018 £000** | Group 2017 £000 | **Company 2018 £000** | Company 2017 £000 |
|---|---|---|---|---|
| Current service costs | **60** | 59 | **16** | 18 |
| Net interest | **(48)** | (42) | **(60)** | (51) |
| | **12** | 17 | **(44)** | (33) |

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

| | **Group 2018 £000** | Group 2017 £000 | **Company 2018 £000** | Company 2017 £000 |
|---|---|---|---|---|
| Cost of sales | **60** | 59 | **16** | 18 |
| Administrative expenses | **(48)** | (42) | **(60)** | (51) |
| | **12** | 17 | **(44)** | (33) |

# Notes

## 25. EMPLOYEE BENEFITS (continued)

**Amount recognised in other comprehensive income**

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **£000** | £000 | **£000** | £000 |
| Acturial gains/(losses) on defined benefit obligation | **300** | (1,313) | **234** | (1,021) |
| Actual return on assets less interest | **(25)** | 1,948 | **(78)** | 1,836 |
| Recognition of Railway pension scheme | **-** | (269) | **-** | - |
| Amount recognised in other comprehensive income | **275** | 366 | **156** | 815 |

Cumulative actuarial net losses reported in the statement of comprehensive income since 1 April 2004, the transition to adopted IFRSs, for the Group are £1,434,000 (2017: £1,709,000), Company £1,104,000 (2017: £1,260,000).

**Scheme assets and returns**

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **£000** | £000 | **£000** | £000 |
| **Fair value of assets** | | | | |
| Equities and alternatives | **8,892** | 10,272 | **7,930** | 9,288 |
| Bonds and cash | **723** | 121 | **590** | 61 |
| Liability driven investments (LDI) | **3,003** | 2,937 | **3,003** | 2,937 |
| | **12,618** | 13,330 | **11,523** | 12,286 |
| **Returns** | | | | |
| Actual return on scheme assets | **296** | 2,319 | **217** | 2,178 |

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 | |
|---|---|---|
| | **2018** | 2017 |
| Inflation | **3.3%** | 3.3% |
| Discount rate at 31 March | **2.6%** | 2.5% |
| Expected future salary increases | **3.3%** | 3.3% |
| Expected future pension increases | **3.2%** | 3.2% |
| Revaluation of deferred pensions | **2.3%** | 2.3% |

Mortality rate assumptions adopted at 31 March 2018, based on S2PA CMI Model 2017, imply the following life expectations on retirement at age 65 for:

| | **2018** | 2017 |
|---|---|---|
| Male currently aged 45 | **23 years** | 24 years |
| Female currently aged 45 | **25 years** | 26 years |
| Male currently aged 65 | **22 years** | 22 years |
| Female currently aged 65 | **24 years** | 24 years |

**History of schemes**

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

| **Group** | **2018** | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| | **£000** | £000 | £000 | £000 | £000 |
| Present value of defined benefit obligation | **(10,388)** | (11,402) | (9,058) | (9,345) | (8,318) |
| Fair value of plan assets | **12,618** | 13,330 | 10,592 | 10,388 | 9,007 |
| Present value of net surplus | **2,230** | 1,928 | 1,534 | 1,043 | 689 |

| **Company** | **2018** | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| | **£000** | £000 | £000 | £000 | £000 |
| Present value of defined benefit obligation | **(8,902)** | (9,885) | (9,058) | (9,345) | (8,318) |
| Fair value of plan assets | **11,523** | 12,286 | 10,592 | 10,388 | 9,007 |
| Present value of net surplus | **2,621** | 2,401 | 1,534 | 1,043 | 689 |

**25. EMPLOYEE BENEFITS** (continued)

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

| **Group** | **2018** | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Difference between expected and actual return on scheme assets: | | | | | |
| Amount (£000) | **(25)** | 1,948 | (3) | 1,071 | (2) |
| Percentage of scheme assets | **(0.2%)** | 14.6% | 0.0% | 10.3% | 0.0% |
| Experience gains and losses arising on the scheme liabilities: | | | | | |
| Amount (£000) | **(13)** | 48 | (199) | - | - |
| Percentage of present value of scheme liabilities | **(0.1%)** | 0.4% | (2.2%) | 0.0% | 0.0% |
| Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: | | | | | |
| Amount (£000) | **313** | (1,361) | 324 | (1,126) | 235 |
| Percentage of present value of scheme liabilities | **3.0%** | (11.9%) | 3.6% | (12.0%) | 2.8% |
| Recognition of Railways pension scheme | | | | | |
| Amount (£000) | **-** | (269) | - | - | - |
| Percentage of present value of scheme liabilities | **(0.0%)** | (2.4%) | 0.0% | 0.0% | 0.0% |
| Total amount recognised in statement of comprehensive income: | | | | | |
| Amount (£000) | **275** | 366 | 122 | (55) | 233 |
| Percentage of present value of scheme liabilities | **2.6%** | 3.2% | 1.3% | (0.6%) | 2.8% |

| **Company** | **2018** | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Difference between expected and actual return on scheme assets: | | | | | |
| Amount (£000) | **(78)** | 1,836 | (3) | 1,071 | (2) |
| Percentage of scheme assets | **(0.7%)** | 14.9% | 0.0% | 10.3% | 0.0% |
| Experience gains and losses arising on the scheme liabilities: | | | | | |
| Amount (£000) | **(12)** | 27 | (199) | - | - |
| Percentage of present value of scheme liabilities | **(0.1%)** | 0.3% | (2.2%) | 0.0% | 0.0% |
| Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: | | | | | |
| Amount (£000) | **246** | (1,048) | 324 | (1,126) | 235 |
| Percentage of present value of scheme liabilities | **2.1%** | (10.6%) | 3.6% | (12.0%) | 2.8% |
| Total amount recognised in statement of comprehensive income: | | | | | |
| Amount (£000) | **156** | 815 | 122 | (55) | 233 |
| Percentage of present value of scheme liabilities | **1.8%** | 8.2% | 1.3% | (0.6%) | 2.8% |

**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 | -/+6% |
| 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%/-10% |
| 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 £1,043,000 (2017: £803,000) in the year.

# Notes

## 26. BUSINESS COMBINATIONS

The Group acquired the following businesses from 1 April 2016 to 31 March 2018:

| 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 |
| TechRentals NZ Limited | 25 November 2016 | Share purchase (100% equity) | TR Group Pty Limited |
| TR Group Pty Limited | 21 April 2016 | Share purchase (100% equity) | Vp Equipment Rental Australia Pty Limited |

Details of the acquisitions are provided below:

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | **2018** | **2018** | **2018** | 2017 | **2018** | **2018** | **2018** | 2017 |
| | **Brandon** | **Others** | **Total** | | **Brandon** | **Others** | **Total** | |
| | **£000** | **£000** | **£000** | £000 | **£000** | **£000** | **£000** | £000 |
| Property, plant and equipment | **21,866** | **6,471** | **28,337** | 8,850 | **21,866** | **902** | **22,768** | (44) |
| Current assets | **14,212** | **3,202** | **17,414** | 1,781 | **14,212** | **544** | **14,756** | - |
| Net debt | **(27,464)** | **(3,008)** | **(30,472)** | (3,109) | **(27,464)** | **(660)** | **(28,124)** | - |
| Tax, trade and other payables | **(11,075)** | **(2,070)** | **(13,145)** | (1,737) | **(11,075)** | **(443)** | **(11,518)** | 6 |
| **Fair value of net assets** | **(2,461)** | **4,595** | **2,134** | 5,785 | **(2,461)** | **343** | **(2,118)** | (38) |
| **Fair value adjustments** | | | | | | | | |
| Intangibles on acquisition | **22,536** | **2,756** | **25,292** | 3,550 | **22,536** | **640** | **23,176** | - |
| Deferred tax on intangibles | **(3,831)** | **(469)** | **(4,300)** | (674) | **(3,831)** | **(109)** | **(3,940)** | - |
| **Fair value of assets acquired** | **16,244** | **6,882** | **23,126** | 8,661 | **16,244** | **874** | **17,118** | (38) |
| Goodwill on acquisition | **25,428** | **1,257** | **26,685** | 2,111 | **25,428** | **-** | **25,428** | 38 |
| **Cost of acquisitions** | **41,672** | **8,139** | **49,811** | 10,772 | **41,672** | **874** | **42,546** | - |
| **Satisfied by** | | | | | | | | |
| Cash consideration | **41,672** | **8,139** | **49,811** | 10,772 | **41,672** | **874** | **42,546** | - |
| **Analysis of cash flow for acquisitions** | | | | | | | | |
| Cash consideration | **41,672** | **8,139** | **49,811** | 10,772 | **41,672** | **874** | **42,546** | - |
| Net (cash)/overdraft in acquisitions | **(738)** | **587** | **(151)** | (788) | **-** | **(670)** | **(670)** | - |
| | **40,934** | **8,726** | **49,660** | 9,984 | **41,672** | **204** | **41,876** | - |

### 26. BUSINESS COMBINATIONS (continued)

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. As at the date of these accounts the fair value of the acquired net assets for the Brandon acquisition is still provisional.

The acquisitions in the year were made to grow market share and expand the product range and those in the prior year increased the Group's geographical presence. Intangibles were identified in relation to the acquisitions in the year ended 31 March 2018 relate to customer lists and brand names. In the year ended 31 March 2017 the intangibles also related 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 2018 in relation to these acquisitions were £1,288,000 (2017: £239,000).

**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.

| | **2018** |
|---|---|
| **Continuing operations** | **£000** |
| 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.

### 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 44 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 2018 totalled £96,241,000 (2017: £62,477,000). Amounts owed to subsidiary undertakings by the Company at 31 March 2018 totalled £31,704,000 (2017: £23,675,000).

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 2018 was £186.0 million (2017: £107.0 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.

### 29. 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

## 30. SUBSIDIARY UNDERTAKINGS

The investments in trading subsidiary undertakings as at 31 March 2018 are:

| | Country of Registration or Incorporation | Principal Activity | Country of Principal Operation | Class and Percentage of Shares Held |
|---|---|---|---|---|
| Torrent Trackside Limited | England | Rail equipment hire | UK | Ordinary shares 100% |
| Hire Station Limited | England | Tool hire | UK | Ordinary shares 100% |
| TPA Portable Roadways Limited | England | Hire of portable roadways | 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% |

The full list of the dormant subsidiary undertakings is:

| | Country of Registration or Incorporation | Principal Activity | Country of Principal Operation | Class and Percentage of Shares Held |
|---|---|---|---|---|
| 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% |
| L&P 52 Limited | 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% |

# Notes

**31. SUBSIDIARY UNDERTAKINGS** (continued)

| | | | | |
|---|---|---|---|---|
| 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% |
| Airpac Bukom Oilfield Services (Nigeria) Limited | Nigeria | 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% |

The registered offices of the companies are:

| **Country of Registration** | **Registered Office Address** |
|---|---|
| England | Central House, Beckwith Knowle, Otley Road, Harrogate HG3 1UD |
| Scotland | Mugiemoss 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 |
| Nigeria | 235 Ikorodu Road, Ilupeju, Lagos |

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.

| **Company** | **Registered number** |
|---|---|
| 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

| | 2014<br>£000 | 2015<br>£000 | 2016<br>£000 | 2017<br>£000 | **2018**<br>**£000** |
|---|---|---|---|---|---|
| Revenue | 183,064 | 205,602 | 208,746 | 248,740 | **303,639** |
| Operating profit before amortisation and exceptionals | 21,831 | 28,780 | 31,891 | 37,757 | **44,018** |
| Profit before amortisation, taxation and exceptionals | 20,053 | 26,757 | 29,798 | 34,851 | **40,597** |
| Profit before taxation | 18,933 | 25,073 | 27,500 | 30,339 | **30,814** |
| Taxation | (3,238) | (5,202) | (5,112) | (6,687) | **(6,448)** |
| Profit after taxation | 15,695 | 19,871 | 22,388 | 23,652 | **24,366** |
| Dividends* | (4,962) | (5,986) | (6,568) | (7,632) | **(8,983)** |
| Share capital | 2,008 | 2,008 | 2,008 | 2,008 | **2,008** |
| Capital redemption reserve | 301 | 301 | 301 | 301 | **301** |
| Reserves | 105,648 | 109,431 | 119,014 | 134,980 | **152,110** |
| Total equity before non-controlling interest | 107,957 | 111,740 | 121,323 | 137,289 | **154,419** |
| **Share Statistics** | | | | | |
| Asset value | 269p | 278p | 302p | 342p | **385p** |
| Earnings (pre amortisation) | 41.97p | 54.45p | 62.21p | 69.52p | **81.80p** |
| Dividend** | 14.00p | 16.50p | 18.85p | 22.00p | **26.00p** |
| Times covered (pre amortisation) | 3.00 | 3.30 | 3.30 | 3.16 | **3.15** |

* 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 Communication