

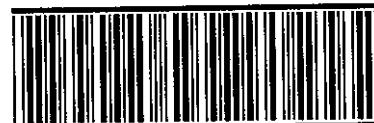


VibroPlant

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report



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COMPANIES HOUSE 10/09/96

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# Contents

## 1996

|   | Page |
|---|------|
| Directors and Officers                                      | 2    |
| Financial Information                                       | 3    |
| Chairman's Statement  | 4    |
| Operating and Financial Review                              | 6    |
| Directors' Report   | 8    |
| Report of the Remuneration Committee                        | 10   |
| Statement of Directors' Responsibilities                    | 11   |
| Auditors' Reports   | 11   |
| Consolidated profit and loss account                        | 12   |
| Consolidated statement of total recognised gains and losses | 13   |
| Reconciliation of movements in shareholders' funds          | 13   |
| Note of consolidated historical cost profits and losses     | 13   |
| Consolidated balance sheet                                  | 14   |
| Parent Company balance sheet                                | 15   |
| Consolidated cash flow statement                            | 16   |
| Notes   | 17   |
| Five year summary   | 28   |
| Notice of meeting   | 29   |
| Form of proxy   | 30   |



# Directors and Officers

## **Executive Directors**

Jeremy F G Pilkington, B.A. (Chairman and Chief Executive)

Rodney V Swarbrick

Eric R Woolley, B.A., F.C.A.

## **Non-Executive Directors**

Barrie Cottingham, F.C.A.

Stuart J Doughty, B.Sc., M.I.C.E., C. Eng., F.I.H.T.

Margaret A Pilkington

## **Secretary**

Eric R Woolley, B.A., F.C.A.

## **Registered Office**

Central House, Beckwith Knowle, Otley Road, Harrogate, North Yorkshire, HG3 1UD.

Registered in England: No. 481833

Telephone: 01423-533400

## **Auditors**

KPMG, 1 The Embankment, Neville Street, Leeds, West Yorkshire, LS1 4DW.

## **Solicitors**

Hammond Suddards, 2 Park Lane, Leeds, West Yorkshire, LS3 1ES.

## **Registrars and Transfer Office**

Independent Registrars Group Limited, Balfour House, 390/398 High Road,

Ilford, Essex, IG1 1NQ.

## **Bankers**

National Westminster Bank Plc.

## **Merchant Bankers**

N M Rothschild & Sons Limited.

## **Stockbrokers**

HSBC James Capel.

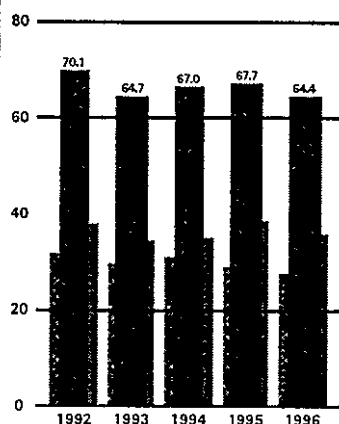
# Financial Information

## Financial Highlights

|  | 1996    | 1995     |
|--|---------|----------|
| Turnover   | £64.4m  | £67.7m   |
| Profit before tax and loss on sale of US operations                        | £3.8m   | £9.4m    |
| Profit on ordinary activities before taxation (and 1995 exceptional items) | £2.4m   | £6.4m    |
| (Loss)/earnings per share  | (4.67)p | 11.37p   |
| (Loss)/earnings per share (before 1995 exceptional items)                  | (4.67)p | 7.78p    |
| Dividend per share   | 4.05p   | 4.00p    |
| Shareholders' funds  | £56.1m  | £59.0m   |
| Net cash/(bank debt)   | £23.0m  | £(17.6)m |
| Cash net of finance leases/(bank debt and finance leases)                  | £15.8m  | £(23.8)m |
| Net bank debt/shareholders' funds  | -       | 29.9%    |
| Total borrowing/shareholders' funds  | -       | 40.4%    |
| Expenditure in the year on hire plant                                      | £21.4m  | £26.3m   |

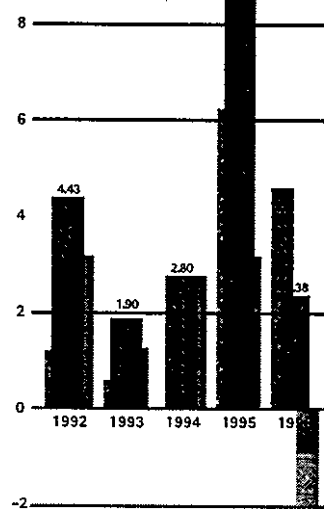
Turnover (£m)

■ Total  
■ US Contribution  
■ UK Contribution



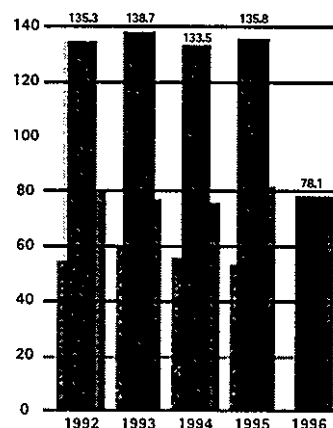
Pre Tax Profit (£m)

■ Total  
■ US Contribution  
■ UK Contribution  
■ Loss on Disposal



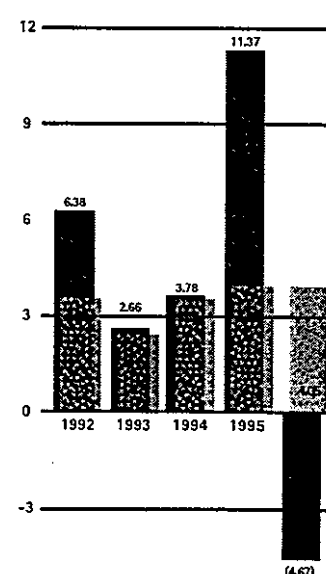
Gross Investment In Plant (£m)

■ Total  
■ US Portion  
■ UK Portion



Earnings/(Loss) Per Share (p)

■ Earnings/(Loss) Per Share (p)  
■ Dividends (p)



## Financial Calendar

|                            |           |
|----------------------------|-----------|
| Annual General Meeting     | September |
| Dividend Payments          |           |
| Interim                    | January   |
| Final                      | October   |
| Results Announced          |           |
| Half year                  | November  |
| Full year                  | July      |
| Report and Accounts issued | August    |



# Chairman's Statement

Dear Shareholder,

It has been a demanding year in which the financial results alone do not reflect the progress that has been made in repositioning your Group.

Shareholders will recall the serious concerns I expressed in my interim statement last November about the weakness of Vibroplant's core construction and civil engineering markets in the UK. I subsequently indicated in our circular to shareholders on 31 January that trading conditions had continued to deteriorate in the UK in the second half and warned that full year figures would be accordingly disappointing.

Group turnover declined by 5% to £64.4m with the shortfall arising mainly in the UK where turnover fell by 6% to £36.3m, partially due to the disposal of our Five Star accommodation business. UK profitability declined sharply in the second half to record a pre-tax loss for the year of £0.9m. The USA, by contrast, continued its strong recovery and contributed a pre-tax profit of £4.7m in the approximately 11 month period to the date of disposal, 26 February 1996.

Group profit before tax of £2.4m (1995: £9.4m) was recorded after making appropriate provision with regard to the sale of the US business for possible future contractual liabilities and after charging £2.3m of goodwill on acquisition, previously written-off to reserves. These provisions and adjustments produced a net loss on the sale of Vibroplant US Inc. of £1.4m.

Our decision to sell the US operations was taken in the expectation of an improved performance last year and the successful conclusion of the sale was substantially facilitated by the much more satisfactory level of profitability.

As a result of the difference between the cost basis for tax and for accounting purposes, further compounded by the goodwill write-off, the US sale crystallised a tax charge despite the accounting loss referred to above. The anomalously high tax charge in the current year produced a loss per share of 4.67p. Net assets per share stand at 122p.

In spite of a very disappointing financial result but mindful of the Group's strong balance sheet and our confidence in our strategy over the medium term, your board has recommended the payment of a maintained final dividend of 2.65p per share, making a full year payout of 4.05p per share (1995: 4.00p). Future dividend levels must inevitably reflect the timing of the recovery in the UK business, following the reorganisation currently underway and the reinvestment of the US disposal proceeds.

## Strategic Developments

Almost exactly two years ago, the board began to consider whether it would be possible to substantially improve the form and quality of service which had been provided by this industry to its customers, with comparatively little change, for almost half a century. We conducted extensive market research, customer focus groups and internal management studies and concluded that the UK industry's customers were receiving, at best, an unexceptional service in the context of world class service industry standards. Our objective then became the achievement of breakthrough levels of service for our customers.

The last 18 months have seen the progressive introduction of changes designed to achieve the radical improvement in service levels and customer satisfaction which we believe will be demanded of the industry in the future. Perhaps the most visible aspect of this

change has been our decision to move away from a fragmented and semi-autonomous depot-based general management structure to a professional and specialised functional management approach with regional call management centres. This approach facilitates the building of the teams and skills necessary to deliver comprehensive solutions for customers. Its focus is on developing closer, more integrated relationships with identified market segments as opposed to the more traditional approach of simply delivering an item of plant from a depot to a site. Following these changes, the business will function as one "super-depot" from which customers receive uniformly high standards of service, consistent from area to area, access to the entire national fleet of plant plus tailor-made service propositions and guarantees.

## Progress to Date

We are still only part way through this process. We have established a Scottish call centre in Edinburgh and the call centre at our new head office in Harrogate covers the North of England. Later this year the head office operation will be extended to cover the Midlands and the South West regions and a London call centre will be established to handle London and the South East.

Crucially, the depots continue to function as local operational units from which equipment is distributed and maintained. The call centres support this distributed logistics network by providing a single, personalised point of contact to meet customer needs consistently on a national basis. These account-specific hire controllers have access to decision support facilities that could not be provided through a traditional depot network. The results so far in terms of service levels are extremely encouraging. In the North of England we answer 98% of calls within 10 seconds; plant is delivered on 98% of occasions within one hour of the agreed time; and 97% of the time, field service attendance has averaged less than 90 minutes from receipt of call. These are primary services which materially improve the performance and profitability of our customers' businesses but are so often poorly delivered by this industry. These are only the first of a range of service improvements that our new structure will enable us to deliver in future years. Importantly, we are making real progress in attracting a broader range of customers and industries with this approach.

Major change programmes of this nature clearly carry with them significant risk which can be managed but not eliminated. The earliest stages of implementation were more difficult to manage than had been anticipated and our initial time frame for introducing the new operating model was too ambitious given the technical and human factors involved. However, over the last six months the level of control and co-ordination of the project has substantially improved. Steady but significant progress is now being achieved albeit more slowly than originally expected.

The implications of the weak start to the programme have been apparent for some time and were commented upon at the half year. The profound changes in systems, roles and personnel has, in the short term, increased costs and unfortunately reduced sales performance and teamwork at the margin. As a revenue-sensitive business operating in a very competitive and price conscious market, exacerbated by an unexpected, sharp decline in demand during the key phases of implementation, financial performance has suffered considerably in the UK. However, as the new strategy begins to provide better quality revenue and growth opportunities, as we are



already beginning to see, we believe that this position will reverse. Our new management and overhead structure will facilitate substantial growth while ensuring greater efficiency, control and quality.

#### Trading Performance - UK

The comments above relate primarily to the General Plant activities. These comprise approximately two-thirds of our revenue base and reflect our traditional strength in road building and civil engineering, two sectors which have been particularly hard hit by the construction industry recession. During the year ended 31 March 1996, General Plant revenues declined by some 5% on the prior year due to both reduced utilisation and price deterioration of some 6% on average.

Consistent with our more strongly customer focused strategy, we are continuing to invest in plant for specific opportunities. This has been a slower process than we would have liked, due both to the length of the plant investment cycle and to the cash constraints on the Company prior to the sale of the US operations.

Vibropower, which specialises in the provision of Powered Access, Compressed Air and Power Generation equipment, has made considerable progress in the last year, benefiting from stronger markets and some improvement in product mix. Revenue has increased some 17% with improvement in both utilisation and price. This division is not as fully developed as market conditions would have warranted and our current investment programme is addressing this opportunity. A new welding equipment capability has been successfully established in recent months as a part of this programme.

Groundforce is a market leader in the specialist trench shoring sector. Over the last twelve months a significant reduction in the volume of groundwork activity in the UK, both in the commercial/industrial and infrastructure sectors, has combined with new entrants to the market to drive down prices. Groundforce has sought to differentiate itself through the provision of professional engineering support to our customers during the planning and specifying process and we believe this will progressively earn greater market share and customer loyalty.

Shareholders will be aware that the Company disposed of its Portable Accommodation business for approximately £2.0m in January this year. This business was, in our opinion, unlikely to offer adequate returns even over the medium term and would have required very substantial investment to achieve the market leadership position we seek for each of our business units.

#### Trading Performance - USA

Last year offered ideal market conditions for positioning American Hi-Lift for disposal. In the Southern States, construction activity and the aerial work platform market were particularly strong. We achieved better pricing together with high levels of physical utilisation and the shortage of supply of new equipment allowed us to dispose of our older equipment at advantageous prices. As a result, American Hi-Lift delivered pre-tax profits of £4.7m in the approximately eleven months to 26 February 1996, the date of completion of the sale.

I believe the timing and result of the US sale has been good and is an important milestone in the re-shaping of Vibroplant. We now have a balance sheet with no bank borrowings and, as at 31 March

1996, some £23m of cash with which to pursue suitable investment opportunities.

#### Board Changes

I should like to record once again my sincere thanks to Dr John White and Jack Mawdsley for their past contribution to the Company. I should also like to formally welcome Barrie Cottingham and Stuart Doughty to the board as non-executive directors. Barrie is a former senior partner of Coopers & Lybrand and currently Chairman of SIG plc. Stuart is an executive director of Hyder plc (formerly Welsh Water plc) and has held senior executive positions in a number of leading UK construction companies. They each bring different and very valuable skills to the Company.

#### Outlook

The fragility of the UK construction sector will continue to challenge this industry. This is a market in which radical innovation will not be instantly rewarded and yet which profoundly needs alternative solutions. The rewards, in terms of volume and margin are clearly there for the successful innovator.

From our customers' perspective, Vibroplant is seeking to redefine service levels in all aspects of its business to deliver real value to its customers. Customers are already benefiting from this approach and as the programme is completed over the next twelve months, all customers will be able to enjoy the efficiencies gained through this partnership approach to plant sourcing.

Let me emphasise to shareholders that the next year will continue to reflect transitional costs, both direct and indirect. It will also be a year in which the business is substantially under-gear prior to the re-investment of the proceeds of the US sale. These proceeds must be deployed in a manner consistent with our strategy and for quality opportunities, a process that cannot be hurried despite the short term dilutive effects on earnings of holding cash. Shareholders will also be aware that the outlook for the construction sector, with the possible exception of housebuilding, remains poor.

Your board is convinced that the opportunities provided by our strategy outweigh the risks. On a personal level, my family's substantial equity interests are wholly committed to the success of this strategy and to maintaining a medium term perspective on shareholder value.

In conclusion, during the last year we have moved closer to fulfilling our vision of being the plant hire provider of choice and an employer of choice. While service to our customer is paramount, it can be achieved only by having the best staff, understanding and committed to our business objectives. I believe we have achieved considerable progress in this respect during the year and I extend my warm thanks to the entire company team, working together to achieve our vision in difficult and demanding conditions.

JEREMY F G PILKINGTON

Chairman & Chief Executive

23 July 1996



# Operating and Financial

## The Operating Results for the Period

The Group's operating profit for the year to 31 March 1996, before the effect of the sale of American Hi-Lift, our US business, was £5.5 million (1995: £8.6 million before exceptional items of £3.7 million). Turnover was 5% down to £64.4 million, although this only included 11 months of turnover in the United States.

The consolidated profit and loss account on page 12 discloses the above results distinguishing between continuing and discontinued operations. One of the most significant aspects of the result for the year has been the operating profit contribution of American Hi-Lift of £5.63 million (1995: £2.9 million before exceptional items) up to the completion of the sale on 26 February 1996. In contrast, the continuing UK operations contributed an operating loss of £0.15 million (1995: profit of £5.7 million before exceptional items). The UK trading profit of £8.9 million (1995: £13.4 million before exceptional items) reflects a £1.3 million increase in the depreciation charge following two years of substantially increased capital expenditure. The Group's 20% reducing balance depreciation policy results in relatively high depreciation in the early years of ownership.

The Group's US operations were sold for \$46.5 million. Net bank borrowings of \$17.1 million held within that business were repaid by the purchaser, Primeco Inc. Further details of the sale including a summary of the principal terms of the sale have been provided in the circular to shareholders dated 31 January 1996.

The loss on disposal of American Hi-Lift contains two major elements: provisions set-up against longer term contingent liabilities and the reversal and charging of goodwill written off on acquisition in prior years of £2.3 million. The former relate to legal, tax, environmental and various other warranty exposures arising from the sale contract and in view of negotiations which may be required it is not considered appropriate to detail the make-up of the provisions at this point in time. Although it is hoped that the eventual financial impact will be less than that provided, the nature of these liabilities is such that precise quantification is difficult at this stage.

## UK Operations

The commentary provided below should be read in the context of the Chairman's Statement.

The UK business of Vibroplant plc is wholly plant hire but for management purposes is segregated into General Plant, Vibropower and Groundforce divisions.

General Plant is the largest division and includes a wide range of non-operated mechanical plant, including compaction equipment, dumpers, mini-excavators, forklift handling equipment and smaller compressors. The division generates approximately 65% of hire revenue. Historically, Vibroplant has been strong in the road-building and civil engineering sectors which account for some 60% of our business. While these sectors will continue to be important to the Company, reflecting their market size, an increased focus on house building and industrial markets including utilities has occurred. The continued severe conditions under which the construction markets have operated during the past year have undermined the benefits to be obtained from a wider distribution of market sectors served.

The major changes being introduced by the Company and described in some detail in the Chairman's Statement have impacted the results of this division more significantly than any other. The substantial reversal in UK performance in the second half of the year was attributable primarily to the results of this division and to these factors.

Vibropower includes powered access, compressed air and power generation equipment, accounting for approximately 20% of the Company's hire revenue. This division's markets have included relationships created through General Plant but are more oriented towards the industrial markets including, for example, petrochem and shipbuilding. During the last year revenue increased some 17% with growth coming from the powered access products in particular. The division benefited from increased capital expenditure in the last twelve

months totalling some £3.4 million. Fleet renewal and expansion will continue as management place more emphasis on non-construction markets.

Towards the end of the financial year the division began to provide specialist welding equipment. This market shows promise and provides access to a new market segment with cross-selling opportunities for other products.

Groundforce is one of the largest UK suppliers of trench shoring equipment for groundworks applications. Its rental fleet assets generate approximately 15% of the Company's hire revenue. It is self-evident that this segment of the construction market has been particularly exposed to the impact of reduced new build and infrastructure spend. The division has recently expanded its product range to include larger span braces and has increased its involvement with safety services products, including gas detection equipment. Groundforce is also able to provide its customers with proprietary engineering design software and consulting services. Such services add considerable value to the rented product and allow the development of closer relationships at an earlier stage in the construction project cycle.

## US Operations

The results of Vibroplant US Inc, trading as American Hi-Lift, benefited from the considerable management efforts of the last 2 years to reposition the Company and renew the fleet. The market conditions improved throughout the Southern States, but particularly so in Florida and Georgia. These buoyant conditions also facilitated the sale of older plant and disposal profits increased accordingly to £1.7 million (1995: £0.4 million). While conditions would have remained strong for some time, the capital investment requirements and long term development of the business would have been correspondingly demanding. We believe the decision to sell American Hi-Lift and concentrate on our UK activities was well conceived and well timed. In the board's opinion the price fairly reflected its value at that time.

## Dynamics of the business

As noted in the Chairman's Statement, the plant hire business has traditionally been operated around a simple asset management concept. This led to the development of devolved depot based business units operated by general managers. In an expanding market and at a time when equipment availability was probably the most critical aspect of service, the depot based business model was effective and a geographic saturation strategy logical. Vibroplant used this approach very effectively during the 1970's and 1980's.

Today, the asset management concept requires some development. As in many other industries increased emphasis has been placed on service and on the provision of solutions for customer requirements. Customers are also taking more notice of the "total cost and risks of doing business" with a supplier as opposed to the ticketed price. This emerging trend in the plant hire sector, is occurring at a time when inherent equipment reliability has improved but solution management has become more complex. Thus the organisation needs to adapt to meet these new priorities.

Vibroplant has sought to effect this transition in a radical and holistic manner rather than adopting an incremental change process. While this has placed the business and its employees under some stress, the process of change including those indefinable cultural aspects will be deeper and more focused.

In summary, Vibroplant is moving from simple asset management to more advanced equipment management solutions within the increasingly prevalent framework of outsourcing and facilities management. The effective delivery of break-through service to our

# Annual Review

customers requires the entire organisation to be re-oriented, if not rebuilt, and this is what we are undertaking.

The business dynamics still, of course, revolve around the two fundamentals of an inherently time expiring revenue source – days available for hire – and a substantially fixed cost base. We recognise that at this time our balance sheet is under-geared and the asset base could and should be substantially greater given the capability of the fixed cost infrastructure. It is our intention to progressively expand the asset base organically and through selective acquisition. The business strategy outlined above should provide ample opportunity to grow the business and enter new and more profitable markets.

The immediate outlook is clouded by the transition costs associated with the changes introduced. In addition the reduced levels of activity in our traditional markets have resulted in the combined negative impact of lower rates and utilisation. Recovery of the construction market is likely to be some time away, but the fruits of the strategic developments outlined above should be visible on a progressive basis during the next 12-18 months. It is unlikely that the current year's performance will benefit greatly from these developments.

## Investments for the future

The Group spent some £21.4 million (1995: £26.3 million) on fleet additions in the year ended 31 March 1996. Fleet renewal and expansion is a priority for our business. As we consider the proper deployment of the capital released from the sale of the US operations, we must reflect carefully on the longer term strategic needs of the business. Our new customer partnership oriented approach will lead to more focused investment, quite possibly in new product areas and hopefully of significant magnitude.

In this context our introduction of new systems and training, together with the many other tangible and intangible costs of change, represent a critical investment in the future of this Company.

## Profit for the financial year, total recognised gains and losses

The significant difference in performance of the continuing UK operations and the discontinued US business is clearly evident from the Consolidated Profit and Loss Account on page 12. The operating result and the impact of taxation and interest costs is discussed elsewhere in this review. The somewhat unusual circumstances arising from the corporate reorganisation and rationalisation of accounting policies taking place over the last 2 years makes it difficult to comment briefly on the earnings attributable to shareholders. Clearly, the one-off effects of the US disposal (including the expensing of £2.3 million of previously written-off goodwill) and the associated tax charge distort the picture, as does the elimination of the US operating result now that disposal is complete. Furthermore the balance sheet and the ongoing UK performance is materially influenced by the impact of the US disposal proceeds and the associated reinvestment programme.

The consolidated statement of total recognised gains and losses for the year ended 31 March 1996 identifies the positive impact of currency translation differences this year of £1.3 million as compared with a loss of £1.6 million in the prior year. The reconciliation of movements in shareholders' funds also reflects the adjustment necessary in respect of the £2.3 million of goodwill written-off in prior years in connection with the US operations, as well as the negative adjustment to revaluation reserve arising from a Directors' valuation of the Groups' property assets in conjunction with Cluttons Property Consultants.

## Dividends and Earnings Per Share

As already noted, the Group's earnings were distorted by a number of factors, both this year and last. A "normalisation" of the result to produce an adjusted earnings per share would produce a figure that was neither relevant to the future nor comparable with the past.

The dividend of 4.05p (1995: 4.00p) is uncovered and at a level that would not be sustainable without a substantial recovery in earnings over the next few years. The strength of the balance sheet and our expectation of successful progress in our business transformation warrants the maintenance of the final dividend at 2.65p per share.

## Interest and borrowings

The sale of Vibroplant US Inc. to Primeco Inc. involved the discharge of the bank debt of Vibroplant US Inc. at the date of completion by the purchaser. Thus the net bank position of the Group has changed substantially in comparison with the previous year end. At 31 March 1996 the Group had cash at bank and in hand of £23.0 million compared to net bank borrowings of £17.6 million at the previous year end. Finance lease obligations increased by £1.0m to £7.2m over the same period. The interest charge for the year is marginally reduced to £1.72 million (1995: £1.85 million) and the interest cover before the loss on disposal of the US business and exceptional items was 3.2 times (1995: 4.5 times); although the prospective position is, of course, entirely changed.

In addition to the above cash balance the Group has access to additional funds by way of an overdraft facility with National Westminster Bank Plc on a floating rate basis. The Group's finance and operating lease funding is generally fixed rate based.

In order to partially hedge against exchange rate movements for potential liabilities under the terms of the contract for the sale of Vibroplant US Inc. the Group has maintained a cash holding in US dollars.

## Cash flow

Last year the Group continued to invest heavily in the purchase of fixed assets (£20.0 million (1995: £24.0 million)). In addition £3.4 million (1995: £4.8 million) of finance leases were commenced. This expenditure was partly financed by increased sale proceeds from the disposal of fixed assets; up by £2.2 million to £11.0 million. These substantial proceeds were a result of the continuing process of rejuvenating the fleet and also the sale of the Company's portable buildings assets for £2.0m.

The net operating cash flow was also marginally higher at £21.9 million (1995: £21.2 million) with reduced profitability being offset by the benefit of increased creditors for capital equipment and a reduction in trade debtors both in the UK and the US. However, as discussed above, the most significant inflow of cash to the business resulted from the sale of the US business which generated £22.6 million. Overall, this led to the Group cash position being improved by £25.5m.

## Taxation

The Group's tax charge of £4.5 million represents approximately 191% of profit before tax compared to an effective rate of 44% in the prior year. This exceptionally high tax charge is due almost entirely to the US disposal.

The tax charge on the US disposal appears surprisingly high because the profit or loss on disposal is calculated in different ways for accounting and tax purposes. The accounting loss on disposal is based on sale proceeds less the net asset value of the US business, together with the costs of disposal and the write off of the goodwill previously charged to reserves. In comparison the taxable profit on disposal is based on sales proceeds less the cost of the investment and the cost of disposing of the business. It also takes into account double tax relief, but still produced a large taxable gain.

In addition to the above primary factor the tax charge also reflects the significant impact of the more highly taxed US profits and the effect of disallowable expenditure in the UK.





# Directors' Report

The Directors of Vibroplant plc present their annual report and the audited financial statements for the year ended 31 March 1996.

## Principal activities and business review

The principal activity of the Group in the United Kingdom is plant hire. The sale of the United States business to Primeco Inc. was completed on 26 February 1996. The principal activities in the United States were plant hire and sales. The turnover and contribution of these activities is shown in note 2 to the financial statements.

A review of the development of the business and the current trading position is provided in the Chairman's Statement and the Operating and Financial Review.

## Proposed dividend and transfer to reserves

|                                       | £000         | £000           |
|---------------------------------------|--------------|----------------|
| Loss after tax for the financial year |              | (2,155)        |
| Dividend recommended:                 |              |                |
| Interim paid 1.40p (1995: 1.35p)      | 647          |                |
| Final proposed 2.65p (1995: 2.65p)    | <u>1,224</u> |                |
|                                       |              | (1,871)        |
| Transfer from reserves                |              | <u>(4,026)</u> |

The final dividend will be paid to shareholders on the register of members of the Company on 4 September 1996 and it is proposed that dividend warrants be posted on 1 October 1996.

## Fixed assets

Details of the movements in the fixed assets of the Group and the Company are given in note 12 to the financial statements.

The Directors carried out a valuation of the Group's properties as at 31 March 1996 and details of this valuation are also provided in note 12 to the financial statements.

## Directors

The Directors who held office during the year were as follows:

**J F G Pilkington** (45) was appointed Chairman and Chief Executive in 1979, succeeding his father and his grandfather who founded the business. J F G Pilkington is a member of the Audit and Remuneration Committees.

**R V Swarbrick** (52) was appointed Engineering Director in 1993. He was previously Operations Director for the Body Division of Volvo Bus Limited.

**E R Woolley** (37) was appointed Finance Director on 20 March 1995. He was previously Finance Director and Company Secretary of Eleco Holdings plc and prior to that, Vice President - Mergers & Acquisitions with C.S. First Boston.

**B Cottingham** (62) was appointed a non-executive Director on 1 March 1996. Until his retirement in 1995 he was a senior partner at Coopers & Lybrand. Currently, he is non-executive Chairman of SIG plc and a non-executive director of Cattles plc. He is Chairman of the Audit Committee and, prior to Mr Doughty's appointment, was Chairman of the Remuneration Committee.

**S J Doughty** (52) was appointed a non-executive Director on 10 June 1996. He is Group Engineering Services Director of Hyder plc (formerly Welsh Water plc). He has extensive experience of the construction industry in which he has held a number of senior executive appointments. He is Chairman of the Remuneration Committee and a member of the Audit Committee.

**Mrs M A Pilkington** has served as a non-executive Director since 1978 and maintains a keen and active interest in all aspects of the Group's business. Mrs Pilkington retires by rotation at the Annual General Meeting but has decided not to offer herself for re-election. In recognition of her long association with the Group and that of her late husband Geoffrey Pilkington, the Board have invited her to hold the honorary appointment of President.

**R J Hewitt** - resigned 22 February 1996.

**J Mawdsley** - resigned 31 March 1996.

**Dr J G White** - resigned 31 December 1995.

**B Cottingham** and **S J Doughty** who were appointed Directors since the last Annual General Meeting, retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election. They do not have service contracts with the Company. Mrs M A Pilkington retires by rotation but does not offer herself for re-election.

## Directors' interests

The interest of each Director in the shares of Group companies are shown in note 23 to the financial statements.

## Share option schemes

Details of the Company's executive share option scheme are shown in notes 6 and 22 to the financial statements.

## Substantial shareholders

As at 5 July 1996 the following had notified the Company of interests 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           | 23,684,876                | 51.28                                  |
| Fleming Investment Management Limited | 6,588,000                 | 14.26                                  |
| Baring Trust Company Limited          | 1,915,500                 | 4.15                                   |

J F G Pilkington and Mrs M A Pilkington are two of the Directors of Ackers P Investment Company which is the holding company of Vibroplant plc.

## 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. To this end information is provided by various means, including a quarterly in-house journal. There is also a suggestion scheme to develop and encourage employee participation in the Group's affairs.

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.

## Political and charitable contributions

The Group made no political contributions during the year. Donations to charities amounted to £14,164.

## Supplier Payment Policy

It is the Group's policy to make payment to suppliers on our standard supplier terms unless alternative payment terms are agreed. The Group 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.

## Crest

The Company intends to resolve pursuant to its Articles of Association and the Uncertificated Securities Regulations 1995 by resolution of its Directors that title to the ordinary shares of 5p each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system (as defined in the Regulations) and that such resolution will become effective immediately prior to CRESTCo Limited granting permission for the ordinary shares of 5p each in the Company to be transferred by means of the CREST system.

## Annual General Meeting

Resolutions will be proposed as special business to enable the Directors to continue to use their existing powers to allot unissued shares and (subject to the limits therein contained) to allot shares for cash other than to existing shareholders in proportion to their shareholding. These resolutions seek to renew the authorities approved at last year's Annual General Meeting and comply with the current guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

## Corporate Governance

In the opinion of the Board, the Group has complied with the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance ("the Code") throughout the financial year with the following exceptions:

- the Group has only two independent non-executive Directors and for two months of the year, following the retirement of Dr John White, had only one. The Group therefore has not fulfilled paragraph 1.3 of the code which requires a minimum of three non-executive Directors, two of whom must be independent;

- Jeremy Pilkington, who serves as both Chairman and Chief Executive, is a member of the Audit and Remuneration Committees although both committees are chaired by a non-executive Director. Hence the Group has not complied with paragraph 4.3 of the code which requires the audit committee to consist of at least three non-executive Directors.

These exceptions reflect the central role played by the Chairman and Chief Executive over more than a decade. The relatively small size of the Group further influences these exceptions, particularly the restriction of the number of independent non-executives to two.

The Board has sought to ensure that high standards of Corporate Governance are maintained by appointing experienced and professionally qualified non-executive Directors. Both Barrie Cottingham and Stuart Doughty have wide-ranging business responsibilities in other publicly quoted companies and bring authoritative objectivity to the Board. The Audit and Remuneration Committees, chaired by Barrie Cottingham and Stuart Doughty respectively, are formally constituted Committees of the Board with written terms of reference.

In relation to paragraph 1.4 of the code, the Board of Directors adopted a schedule of matters reserved for its approval, ensuring that full and effective control on appropriate financial, strategic and compliance matters is maintained.

## INTERNAL CONTROL

The Board is responsible for the Group's system of internal financial control. This system is designed to safeguard the assets of the Group and provide reasonable assurance that the financial information used within the business and for publication is reliable. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

During the year the Board, in conjunction with its Audit Committee, reviewed the operation and effectiveness of the system of internal financial control. This review included an assessment of the control environment within the company as a whole, the identification of key business and financial risks and an evaluation of the control procedures in place. Through the Audit Committee and Internal Audit Department, the Board monitors continuing compliance with control systems as well as their improvement or modification as appropriate.

The Group is currently implementing a substantial re-organisation of its business processes and information systems which in itself introduces risk, particularly during the transitional phase. However, the new business model and management structure will assist in increased levels of control through use of centralised functional management teams together with greater segregation of duties and responsibilities.

Key elements of the control and review procedures employed by the Board are the annual strategic planning and budget preparation processes, together with the approval of all material capital expenditure. Monthly financial and management accounts are reported against budget and prior year and variances investigated. A check of rental fleet assets is conducted at all the Group's depots each month.

## GOING CONCERN

As at 31 March 1996 the Group had substantial cash balances with its bankers and, with the exception of finance and operating leases, nil borrowings. In compliance with paragraph 4.6 of the Code and after making enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in the preparation of the accounts.

KPMG has reviewed the statements contained within the Directors' Report in connection with the Group's compliance with the Code and have reported the results of the review on page 11.

## Auditors

Our auditors KPMG have indicated that a limited liability company, KPMG Audit Plc, is to undertake part of their audit business. Accordingly, a resolution is to be proposed at the Annual General Meeting for the appointment of KPMG Audit Plc as auditors of the Company.

By Order of the Board.

*E R Woolley*  
E R Woolley

Secretary

23 July 1996

# Report of the Remuneration Committee

The Remuneration Committee is chaired by Stuart Doughty and includes two other members, Barrie Cottingham and Jeremy Pilkington. At the financial year end, Barrie Cottingham was Chairman. The Committee meets formally once a year and also on an ad hoc basis.

With the exception of Jeremy Pilkington's membership of the Committee, the Company has throughout the year complied with Section A of the Best Practice provisions annexed to the listing rules. As noted in the Directors' Report in connection with Corporate Governance matters, Jeremy Pilkington's membership is considered justifiable.

## Policy on Executive Directors' Remuneration

The Group seeks to recruit, retain and motivate executives of the highest calibre, taking into account levels of remuneration in companies of comparable size and industry orientation. The Remuneration Committee's primary role is to determine the remuneration of the Executive Directors. In this regard the Committee takes into consideration the interests of the Group and of its shareholders as a whole. The remuneration package consists of a basic salary, annual performance related bonus, membership of the Vibroplant plc 1985 Pension Scheme and benefits in kind, typical of a Group of this size, such as a fully expensed car and permanent health insurance.

## Details of Remuneration

Full details of the remuneration package of the Group's Directors for the year ended 31 March 1996 are provided in Note 5 to the financial statements. This note also contains details of the compensation for loss of office for R J Hewitt which was in accordance with his employment contract. No bonuses were accrued for the year ended 31 March 1996.

## Share Options

No share options were held by Directors at any time during the last financial year nor at the present time.

## Long-term Incentive Schemes

Jeremy Pilkington benefits from a long term cash bonus scheme which is structured as a "phantom" share option arrangement. Under this scheme Mr Pilkington has an effective economic interest in options over 250,000 shares at a strike price of between 101p and 119p per share. The phantom option expires between August 2000 and July 2001.

There are no other long term schemes.

## Pensions

The Executive Directors are members of the Vibroplant plc 1985 Pension Scheme. Under the scheme, a Directors' category, which is non-contributory, permits individualised arrangements to be incorporated. These arrangements currently provide for an annual pension entitlement accrual of up to a maximum of one thirtieth of final pensionable salary, which includes annual bonuses but not long term incentive plans, if applicable, up to a maximum of 20 years. Annual bonuses are included within pensionable salary to the extent that they comprise an important element of the recurring remuneration package. The Remuneration Committee reserves the right to exclude bonus payments from pensionable salary where they are considered to be extraordinary in nature or size.

In addition, Mr Pilkington benefits from a long standing contractual entitlement to retire at 50 years of age without actuarial reduction of pension. The present value cost to the Group of augmenting the fund to facilitate this entitlement is estimated at £250,000. However, Mr Pilkington has indicated to the Group in writing that he has no present intention of retiring before the age of 55 at the earliest. The present value cost of augmentation on the latter basis is estimated at approximately £70,000. Accordingly, this amount is being actuarially amortised over his expected future length of service of some 10 years. Note 5 to the financial statements includes this notional cost as a part of Mr Pilkington's gross remuneration for the year.

## Service Contracts

Mr Pilkington and Mr Swarbrick have service contracts terminable by twelve months notice. Mr Woolley has a service contract terminable by six months notice.

On behalf of the Remuneration Committee.

B Cottingham

23 July 1996

# Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## Auditors' Reports

### Auditors' report to the members of Vibroplant plc

We have audited the financial statements on pages 12 to 27. We have also examined the amounts disclosed relating to emoluments, share options and long term incentive scheme interests of the Directors which form part of the Remuneration Committee Report on page 10.

### Respective responsibilities of Directors and Auditors

As described on this page the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 March 1996 and of the result of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG  
Chartered Accountants  
Registered Auditors  
Leeds

23 July 1996

### Review report by KPMG to Vibroplant plc on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 9 and 10 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the Listing Rules. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

### Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures, or on the ability of the group to continue in operational existence.

### Opinion

With respect to the directors' statements on internal financial control and going concern on page 9, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 9 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.

KPMG  
Chartered Accountants  
Registered Auditors  
Leeds

23 July 1996



# Consolidated profit and loss account for the year ended 31 March 1996

|  |      | Continuing<br>Operations<br>1996 | Discontinued<br>Operations<br>1996 | Total<br>1996 | Continuing<br>Operations<br>1995 | Discontinued<br>Operations<br>1995 | Total<br>1995 |
|--|------|----------------------------------|------------------------------------|---------------|----------------------------------|------------------------------------|---------------|
|  | Note | £000                             | £000                               | £000          | £000                             | £000                               | £000          |
| Turnover   | 2    | 36,303                           | 28,119                             | 64,422        | 38,712                           | 29,015                             | 67,727        |
| Cost of sales  |      |                                  |                                    |               |                                  |                                    |               |
| - Ordinary trading   |      | (29,178)                         | (16,374)                           | (45,552)      | (26,570)                         | (19,545)                           | (46,115)      |
| - Exceptional items  | 4    | -                                | -                                  | -             | (392)                            | 4,843                              | 4,451         |
| Total cost of sales  |      | (29,178)                         | (16,374)                           | (45,552)      | (26,962)                         | (14,702)                           | (41,664)      |
| Gross profit   |      | 7,125                            | 11,745                             | 18,870        | 11,750                           | 14,313                             | 26,063        |
| Administrative and other operating expenses                                    |      |                                  |                                    |               |                                  |                                    |               |
| - Ordinary trading   |      | (7,275)                          | (6,113)                            | (13,388)      | (6,444)                          | (6,575)                            | (13,019)      |
| - Exceptional items  | 4    | -                                | -                                  | -             | (728)                            | -                                  | (728)         |
| Total administrative and other operating expenses                              |      | (7,275)                          | (6,113)                            | (13,388)      | (7,172)                          | (6,575)                            | (13,747)      |
| Operating profit   |      | (150)                            | 5,632                              | 5,482         | 4,578                            | 7,738                              | 12,316        |
| Loss on the sale of Vibroplant US Inc. (after charging goodwill of £2,285,000) |      | -                                | (1,388)                            | (1,388)       | -                                | -                                  | -             |
| Loss on disposal of fixed assets   |      |                                  |                                    |               |                                  |                                    |               |
| - Ordinary trading   |      | -                                | -                                  | -             | -                                | (349)                              | (349)         |
| - Exceptional items  | 4    | -                                | -                                  | -             | (690)                            | -                                  | (690)         |
| Total loss on disposal of fixed assets   |      | -                                | -                                  | -             | (690)                            | (349)                              | (1,039)       |
| Profit on ordinary activities before interest                                  |      | (150)                            | 4,244                              | 4,094         | 3,888                            | 7,389                              | 11,277        |
| Net interest payable and similar charges                                       | 8    | (747)                            | (968)                              | (1,715)       | (684)                            | (1,164)                            | (1,848)       |
| Profit on ordinary activities before taxation                                  | 3    | (897)                            | 3,276                              | 2,379         | 3,204                            | 6,225                              | 9,429         |
| Tax on profit on ordinary activities   | 10   |                                  |                                    |               |                                  |                                    |               |
| - Ordinary trading   |      | 213                              | (2,217)                            | (2,004)       | (976)                            | (1,834)                            | (2,810)       |
| - Exceptional items  |      | -                                | -                                  | -             | 420                              | (1,797)                            | (1,377)       |
| - Sale of Vibroplant US Inc.   |      | -                                | (2,530)                            | (2,530)       | -                                | -                                  | -             |
| Total tax on profit on ordinary activities                                     |      | 213                              | (4,747)                            | (4,534)       | (556)                            | (3,631)                            | (4,187)       |
| (Loss)/profit for the financial year   |      | (684)                            | (1,471)                            | (2,155)       | 2,648                            | 2,594                              | 5,242         |
| Dividends paid and proposed  | 11   | (1,871)                          | -                                  | (1,871)       | (1,851)                          | -                                  | (1,851)       |
| Retained (loss)/profit for the financial year                                  |      | (2,555)                          | (1,471)                            | (4,026)       | 797                              | 2,594                              | 3,391         |
| (Loss)/earnings per 5p ordinary share  | 9    |                                  |                                    | (4.67)p       |                                  |                                    | 11.37p        |
| Dividend per 5p ordinary share   | 11   |                                  |                                    | 4.05p         |                                  |                                    | 4.00p         |



## Consolidated statement of total recognised gains and losses for the year ended 31 March 1996

|  | 1996<br>£000   | 1995<br>£000 |
|--|----------------|--------------|
| (Loss)/profit for the financial year                             | (2,155)        | 5,242        |
| Foreign currency translation differences                         | 1,258          | (1,642)      |
| Property valuation   | (2,394)        | -            |
| Goodwill arising on disposal                                     | 2,285          | -            |
| Total recognised gains and losses relating to the financial year | <u>(1,006)</u> | <u>3,600</u> |

## Reconciliation of movements in shareholders' funds for the year ended 31 March 1996

|  |                |                |
|--|----------------|----------------|
| (Loss)/profit for the financial year               | (2,155)        | 5,242          |
| Dividends  | <u>(1,871)</u> | <u>(1,851)</u> |
|  | (4,026)        | 3,391          |
| Foreign currency translation differences           | 1,258          | (1,642)        |
| New share capital subscribed                       | -              | 134            |
| Property valuation                                 | (2,394)        | -              |
| Goodwill arising on disposal                       | 2,285          | -              |
| Net (reduction in)/addition to shareholders' funds | <u>(2,877)</u> | <u>1,883</u>   |
| Opening shareholders' funds                        | 59,015         | 57,132         |
| Closing shareholders' funds                        | <u>56,138</u>  | <u>59,015</u>  |

## Note of consolidated historical cost profits and losses for the year ended 31 March 1996

|  |                |              |
|--|----------------|--------------|
| Reported profit on ordinary activities before taxation   | 2,379          | 9,429        |
| Realisation of property revaluation gains of previous years  | -              | 90           |
| Permanent diminution in the value of properties  | -              | 189          |
| Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | 36             | 37           |
| Historical cost profit on ordinary activities before taxation  | <u>2,415</u>   | <u>9,745</u> |
| Historical cost retained (loss)/profit for the year after taxation and dividends   | <u>(3,990)</u> | <u>3,707</u> |



VibroPlant

## Consolidated balance sheet at 31 March 1996

|   |      | 1996     |         | 1995     |          |
|---|------|----------|---------|----------|----------|
|   | Note | £000     | £000    | £000     | £000     |
| Fixed assets  |      |          |         |          |          |
| Tangible assets   | 12   |          | 46,168  |          | 82,154   |
| Current assets  |      |          |         |          |          |
| Stocks  | 14   | 1,016    |         | 3,146    |          |
| Debtors   | 15   | 10,821   |         | 16,648   |          |
| Cash at bank and in hand                                |      | 23,033   |         | 1,844    |          |
|   |      | 34,870   |         | 21,638   |          |
| Creditors: amounts falling due within one year          | 16   | (19,710) |         | (22,273) |          |
| Net current assets/(liabilities)                        |      |          | 15,160  |          | (635)    |
| Total assets less current liabilities                   |      |          | 61,328  |          | 81,519   |
| Creditors: amounts falling due after more than one year | 17   |          | (5,046) |          | (15,814) |
| Provisions for liabilities and charges                  | 19   |          | (117)   |          | (6,663)  |
| Net assets  |      |          | 56,165  |          | 59,042   |
| Equity capital and reserves                             |      |          |         |          |          |
| Called up share capital                                 | 21   |          | 2,309   |          | 2,309    |
| Share premium account                                   | 24   |          | 16,192  |          | 16,192   |
| Revaluation reserve                                     | 24   |          | 2,567   |          | 4,630    |
| Profit and loss account                                 | 24   |          | 35,070  |          | 35,884   |
| Equity shareholders' funds                              |      |          | 56,138  |          | 59,015   |
| Equity minority interests                               | 25   |          | 27      |          | 27       |
|   |      |          | 56,165  |          | 59,042   |

These financial statements were approved by the Board of Directors on 23 July 1996 and were signed on its behalf by:

J F G Pilkington  
Chairman

E R Woolley  
Director

# Parent Company balance sheet at 31 March 1996

|   |      | 1996            |               | 1995            |                |
|---|------|-----------------|---------------|-----------------|----------------|
|   | Note | £000            | £000          | £000            | £000           |
| <b>Fixed assets</b>                                     |      |                 |               |                 |                |
| Tangible assets   | 12   |                 | 46,168        |                 | 49,145         |
| Investments   | 13   |                 | <u>1,346</u>  |                 | <u>3,033</u>   |
|   |      |                 | 47,514        |                 | 52,178         |
| <b>Current assets</b>                                   |      |                 |               |                 |                |
| Stocks  | 14   | 1,016           |               | 1,216           |                |
| Debtors   | 15   | 9,731           |               | 22,964          |                |
| Cash at bank and in hand                                |      | <u>24,752</u>   |               | <u>-</u>        |                |
|   |      | 35,499          |               | 24,180          |                |
| Creditors: amounts falling due within one year          | 16   | <u>(27,695)</u> |               | <u>(16,487)</u> |                |
| <b>Net current assets</b>                               |      |                 | 7,804         |                 | 7,693          |
| <b>Total assets less current liabilities</b>            |      |                 | 55,318        |                 | 59,871         |
| Creditors: amounts falling due after more than one year | 17   |                 | (5,046)       |                 | (5,284)        |
| Provisions for liabilities and charges                  | 19   |                 | <u>(181)</u>  |                 | <u>(1,692)</u> |
| <b>Net assets</b>                                       |      |                 | <u>50,091</u> |                 | <u>52,895</u>  |
| <b>Equity capital and reserves</b>                      |      |                 |               |                 |                |
| Called up share capital                                 | 21   |                 | 2,309         |                 | 2,309          |
| Share premium account                                   | 24   |                 | 16,192        |                 | 16,192         |
| Revaluation reserve                                     | 24   |                 | 2,567         |                 | 4,630          |
| Profit and loss account                                 | 24   |                 | <u>29,023</u> |                 | <u>29,764</u>  |
| <b>Equity shareholders' funds</b>                       |      |                 | <u>50,091</u> |                 | <u>52,895</u>  |

These financial statements were approved by the Board of Directors on 23 July 1996 and were signed on its behalf by:

J F G Pilkington  
Chairman

E R Woolley  
Director





**VibroPlant**

## Consolidated cash flow statement for the year ended 31 March 1996

|  | Note | 1996           |               | 1995           |              |
|--|------|----------------|---------------|----------------|--------------|
|  |      | £000           | £000          | £000           | £000         |
| Net cash inflow from operating activities                            | 29   |                | 21,861        |                | 21,199       |
| Return on investments and servicing of finance                       |      |                |               |                |              |
| Interest paid  |      | (1,304)        |               | (1,545)        |              |
| Interest received  |      | 196            |               | 48             |              |
| Interest element of finance lease rental payments                    |      | (630)          |               | (422)          |              |
| Dividends paid   |      | <u>(1,871)</u> |               | <u>(1,723)</u> |              |
| Net cash outflow from returns on investment and servicing of finance |      |                | (3,609)       |                | (3,642)      |
| Taxation   |      |                |               |                |              |
| UK corporation tax paid  |      | (1,411)        |               | (1,221)        |              |
| Overseas tax paid  |      | <u>(480)</u>   |               | <u>(162)</u>   |              |
| Tax paid   |      |                | (1,891)       |                | (1,383)      |
| Investing activities   |      |                |               |                |              |
| Purchase of tangible fixed assets                                    |      | (20,027)       |               | (24,001)       |              |
| Sale of tangible fixed assets  |      | 11,040         |               | 8,801          |              |
| Sale of business (net of cash and overdraft sold)                    | 32   | <u>22,569</u>  |               | <u>-</u>       |              |
| Net cash inflow/(outflow) from investing activities                  |      |                | 13,582        |                | (15,200)     |
| Net cash inflow before financing                                     |      |                | 29,943        |                | 974          |
| Financing  |      |                |               |                |              |
| Issue of ordinary share capital (including premium)                  | 31   | -              |               | 134            |              |
| Repayment of amounts borrowed  | 31   | (2,393)        |               | (13,809)       |              |
| New medium term loans  | 31   | -              |               | 15,605         |              |
| Capital element of finance lease rental payments                     | 31   | <u>(2,068)</u> |               | <u>(1,516)</u> |              |
| Net cash (outflow)/inflow from financing                             |      |                | (4,461)       |                | 414          |
| Increase in cash and cash equivalents                                | 30   |                | <u>25,482</u> |                | <u>1,388</u> |

# Notes

(forming part of the financial statements)

## 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

### Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting convention, modified to include the revaluation of freehold and long leasehold land and buildings.

### Basis of consolidation

The Group financial statements consolidate the financial statements of Vibroplant plc and all its subsidiary undertakings. These financial statements are made up to 31 March 1996.

The consolidated financial statements are based on financial statements of subsidiary undertakings which are coterminous with those of the parent company.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the gross amount of any related goodwill previously taken to reserves.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost or net asset value, if lower. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

In accordance with Section 230 (4) of the Companies Act 1985 Vibroplant plc is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of Vibroplant plc is disclosed in note 24 to these financial statements.

### Tangible fixed assets

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition. Land and buildings for own use are included in the financial statements at historical cost, or at Directors' valuation. The Directors consider the value of land and buildings each year with the assistance of professionally qualified valuers. Where a permanent diminution in value has arisen provision is made in the financial statements. To the extent that a surplus has been created on the same asset in the past a transfer is made from the revaluation reserve to the profit and loss account.

### Depreciation

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

|  |   |  |
|--|---|--|
| Freehold buildings                     | - | 2% - 7% straight line                      |
| Leasehold land and buildings           | - | Term of lease                              |
| Hire plant                             | - | 10% - 25% reducing balance                 |
| Motor vehicles                         | - | 25% reducing balance and 20% straight line |
| Computers                              | - | 50% reducing balance and 20% straight line |
| Fixtures, fittings and other equipment | - | 20% reducing balance and 20% straight line |

No depreciation is provided on freehold land.

In the year ended 31 March 1995 the US method of depreciating hire plant changed to a reducing balance approach. Details of the effect of this change are set out in note 4 to these financial statements.

### 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 profit and loss account.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange prevailing during the year. The profit and loss account of Vibroplant US Inc. for the current year was consolidated at the average rate for the period to the date of completion of the sale. Translation differences are shown separately as a movement on reserves.

### Leases

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.





# Notes

## 1. ACCOUNTING POLICIES (continued)

### Pensions

The Group operates defined contribution and defined benefit pension schemes. The cost of pensions in respect of the defined contribution scheme is fixed in relation to the emoluments of the membership and is charged to the profit and loss account as incurred. The pension contributions to the defined benefit scheme are assessed by a qualified actuary and charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees participating in the scheme.

### Stocks

Stocks are stated at the lower of cost and net realisable value.

### Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that a liability will crystallise. Deferred taxation is not provided on the revaluation of properties as the Group does not intend to dispose of them in the foreseeable future.

### Turnover

Turnover represents the amounts (excluding Value Added Tax) derived from the provision of goods and services to third party customers during the year.

## 2. SEGMENTAL INFORMATION

The table below sets out information on the Group's geographic areas of operation.

| Geographical segments    | Turnover      |               | Operating Profit |               | Profit on ordinary activities before tax |                | Net Assets    |               |
|--------------------------|---------------|---------------|------------------|---------------|--|----------------|---------------|---------------|
|                          | 1996<br>£000  | 1995<br>£000  | 1996<br>£000     | 1995<br>£000  | 1996<br>£000                             | 1995<br>£000   | 1996<br>£000  | 1995<br>£000  |
| UK - Continuing          | 36,303        | 38,712        | (150)            | 4,578         | (150)                                    | 3,888          | 56,165        | 38,718        |
| USA - Discontinued       | 28,119        | 29,015        | 5,632            | 7,738         | 5,632                                    | 7,389          | -             | 20,324        |
|                          | <u>64,422</u> | <u>67,727</u> | <u>5,482</u>     | <u>12,316</u> | <u>5,482</u>                             | <u>11,277</u>  | <u>56,165</u> | <u>59,042</u> |
| Loss on sale of business |               |               |                  |               | (1,388)                                  | -              |               |               |
| Interest                 |               |               |                  |               | <u>(1,715)</u>                           | <u>(1,848)</u> |               |               |
|                          |               |               |                  |               | <u>2,379</u>                             | <u>9,429</u>   |               |               |

The geographical analysis of turnover and profit is by source. The analysis of turnover by destination is not materially different. Sales between geographical segments are immaterial.

## 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

|   | 1996<br>£000  | 1995<br>£000  |
|---|---------------|---------------|
| Profit on ordinary activities before taxation is stated after charging: |               |               |
| Auditors' remuneration:   |               |               |
| Audit   |               |               |
| Other services  | 39            | 92            |
| Depreciation and other amounts written off tangible fixed assets:       | 262           | 84            |
| Owned   |               |               |
| Leased  | 11,724        | 11,360        |
| Backlog depreciation (see note 4)                                       | 2,083         | 1,243         |
| Permanent diminution in value of fixed assets                           | -             | (4,843)       |
| Hire of plant, machinery and motor vehicles under operating leases      | -             | 349           |
| Hire of other assets under operating leases                             | 3,060         | 1,619         |
| after crediting:  | 451           | 483           |
| Profits less losses on sales of tangible assets                         |               |               |
| Other rents receivable under operating leases                           | 3,523         | 2,489         |
|   | <u>53,204</u> | <u>55,791</u> |

The total amount charged to revenue for the hire of plant, machinery and motor vehicles amounted to £5,775,000 (1995: £3,343,000). This comprised rentals payable under operating leases as well as depreciation on plant, machinery and motor vehicles held under finance leases together with the related finance charges.

# Notes

## 4. EXCEPTIONAL ITEMS

### Backlog depreciation

The expected useful lives and associated residual values of hire plant in the United States were re-assessed during the year ended 31 March 1995. As a result the annual depreciation rate was changed. It was considered that future results would be materially distorted if this change was effected by writing down the present balances over the estimated remaining useful lives. Therefore, under the provisions of SSAP 12, depreciation was recalculated from the dates of acquisition of the machines and the backlog depreciation was credited to the profit and loss account as an exceptional item. The effect of this change in depreciation policy in the year ended 31 March 1995 was to increase profit by approximately £1.5m.

### National hire and service centre

A provision was set up in the year ended 31 March 1995 for the one-off restructuring costs associated with the development of a national hire and service centre in the United Kingdom. Costs include external consultancy, redundancy, depot closure, relocation and other costs.

The exceptional items for the year ended 31 March 1995 can be analysed as follows:

|   |                |
|---|----------------|
| Cost of sales                               | £000           |
| US backlog depreciation                     | (4,843)        |
| National hire and service centre            | <u>392</u>     |
|   | (4,451)        |
| Administration and other operating expenses |                |
| National hire and service centre            | 728            |
| Loss on disposal of fixed assets            |                |
| National hire and service centre            | <u>690</u>     |
|   | <u>(3,033)</u> |

## 5. REMUNERATION OF DIRECTORS

|  |            |            |
|--|------------|------------|
| Directors' emoluments comprise the following:      | 1996       | 1995       |
| Fees   | £000       | £000       |
| Other emoluments (including pension contributions) | 42         | 32         |
|  | <u>468</u> | <u>400</u> |
|  | 510        | 432        |
| Compensation for loss of office                    | 95         | -          |
|  | <u>605</u> | <u>432</u> |

The emoluments, including the estimated monetary value of benefits in kind, but excluding pension contributions of the Chairman, who was also the highest paid Director, were £145,114 (1995: £131,384). Pension contributions in respect of the Chairman, amounted to £5,000 (1995: £Nil).

The emoluments, excluding pension contributions, of the Directors (including the Chairman) were within the following ranges:

|          |   |          | Number of Directors |      |
|----------|---|----------|---------------------|------|
| £0       | - | £5,000   | 1996                | 1995 |
| £10,001  | - | £15,000  | 1                   | 1    |
| £15,001  | - | £20,000  | 1                   | -    |
| £20,001  | - | £25,000  | 1                   | 2    |
| £25,001  | - | £30,000  | -                   | 1    |
| £30,001  | - | £35,000  | 1                   | -    |
| £35,001  | - | £40,000  | -                   | 1    |
| £40,001  | - | £45,000  | 1                   | -    |
| £45,001  | - | £50,000  | -                   | 1    |
| £50,001  | - | £55,000  | 1                   | -    |
| £55,001  | - | £60,000  | -                   | 1    |
| £60,001  | - | £65,000  | 1                   | -    |
| £65,001  | - | £70,000  | -                   | 1    |
| £70,001  | - | £75,000  | 1                   | -    |
| £75,001  | - | £80,000  | -                   | 1    |
| £80,001  | - | £85,000  | -                   | 1    |
| £85,001  | - | £90,000  | 1                   | -    |
| £90,001  | - | £95,000  | -                   | 1    |
| £95,001  | - | £100,000 | 1                   | -    |
| £100,001 | - | £105,000 | -                   | 1    |
| £105,001 | - | £110,000 | 1                   | -    |
| £110,001 | - | £115,000 | -                   | 1    |
| £115,001 | - | £120,000 | 1                   | -    |
| £120,001 | - | £125,000 | -                   | 1    |
| £125,001 | - | £130,000 | 1                   | -    |
| £130,001 | - | £135,000 | -                   | 1    |
| £135,001 | - | £140,000 | 1                   | -    |
| £140,001 | - | £145,000 | -                   | 1    |
| £145,001 | - | £150,000 | 1                   | -    |

## 5. REMUNERATION OF DIRECTORS (continued)

The following table shows a breakdown of the remuneration of the individual executive Directors for the year ended 31 March 1996:

|                  | Salary         | Benefits      | Total          | 1995           | Pension Contributions | Termination Payment |
|------------------|----------------|---------------|----------------|----------------|-----------------------|---------------------|
|                  | £              | £             | £              | £              | £                     | £                   |
| J F G Pilkington | 120,000        | 25,114        | 145,114        | 131,384        | 5,000                 | -                   |
| R J Hewitt*      | 114,435        | 6,680         | 121,115        | 79,366         | 7,089                 | 95,207              |
| R V Swarbrick    | 65,800         | 5,407         | 71,207         | 64,577         | -                     | -                   |
| E R Woolley      | 87,716         | 10,664        | 98,380         | 3,455          | 602                   | -                   |
|                  | <u>387,951</u> | <u>47,865</u> | <u>435,816</u> | <u>278,782</u> | <u>12,691</u>         | <u>95,207</u>       |

\*Only served for part of the year.

In addition to the above benefits E R Woolley was reimbursed for the costs of relocating to Harrogate. This included a £10,000 disturbance allowance.

The pension contributions shown for R J Hewitt and E R Woolley relate to a top-up to an unapproved pension scheme; that relating to Mr Pilkington is discussed in the report of the Remuneration Committee. No employer pension contributions were made under the Vibroplant plc 1985 Pension Scheme due to a surplus on that scheme. Further details of Directors' remuneration are given in the report of the Remuneration Committee.

At no time during the year has any Director had a material interest in a contract with any Company in the Group, being a contract which was significant in relation to the business of that Company.

## 6. DIRECTORS' SHARE OPTIONS

No executive share options were held by any Director during the year.

## 7. STAFF NUMBERS AND COSTS

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

|   | Number of employees |              |
|---|---------------------|--------------|
|   | 1996                | 1995         |
| UK - Head Office/National hire and service centre | 110                 | 68           |
| - Depots  | 670                 | 748          |
| US - Head office and regional offices             | 50                  | 57           |
| - Depots  | 229                 | 258          |
|   | <u>1,059</u>        | <u>1,131</u> |

The aggregate payroll costs of these persons were as follows:

|                                   | 1996          | 1995          |
|-----------------------------------|---------------|---------------|
|                                   | £000          | £000          |
| Wages and salaries                | 17,802        | 18,887        |
| Social security costs             | 1,557         | 1,655         |
| Other pension costs (see note 28) | 402           | 209           |
|                                   | <u>19,761</u> | <u>20,751</u> |

## 8. NET INTEREST PAYABLE AND SIMILAR CHARGES

|   | 1996         | 1995         |
|---|--------------|--------------|
|   | £000         | £000         |
| Interest payable:   |              |              |
| On bank loans, overdrafts and other loans wholly repayable within five years    | 1,299        | 1,393        |
| Finance charges payable in respect of finance lease and hire purchase contracts | 632          | 481          |
| Other   | 41           | 22           |
|   | <u>1,972</u> | <u>1,896</u> |
| Interest receivable:  |              |              |
| Bank and other interest receivable  | (257)        | (48)         |
|   | <u>1,715</u> | <u>1,848</u> |

Net interest payable and similar charges has been allocated between continuing and discontinued operations in the consolidated profit and loss account in accordance with the accounts of the holding company and subsidiary companies.

## 9. (LOSS)/EARNINGS PER SHARE

The calculation of earnings per 5 pence ordinary share is based on a loss of £2,155,000 (1995: profit of £5,242,000) and on 46,185,000 (1995: 46,120,000) shares, being the weighted average number of shares in issue during the year.

A fully diluted earnings per share figure based on share options in issue is not provided as the effects on the earnings per share are not material.

# Notes

## 10. TAXATION

|   | 1996         | 1995         |
|---|--------------|--------------|
|   | £000         | £000         |
| UK Corporation tax at 33% (1995: 33%) on the profit for the year on ordinary activities | 3,751        | 1,351        |
| Deferred taxation   | 421          | 2,858        |
| Overseas taxation   | 366          | (33)         |
| Adjustments relating to an earlier year   | (4)          | 11           |
|   | <u>4,534</u> | <u>4,187</u> |

The tax charge, being 191% of the profit before tax, reflects the UK tax treatment of the disposal of the US business. This is covered in more detail in the Operating and Financial Review.

The tax charge shown in the consolidated profit and loss account has been split between continuing and discontinued operations based on a detailed calculation of the taxable income appropriate to each category.

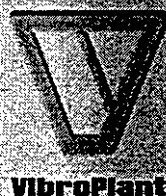
## 11. DIVIDENDS

|                  | 1996         | 1995         |
|------------------|--------------|--------------|
|                  | £000         | £000         |
| Ordinary shares: |              |              |
| Interim paid     | 647          | 623          |
| Final proposed   | <u>1,224</u> | <u>1,228</u> |
|                  | <u>1,871</u> | <u>1,851</u> |

## 12. TANGIBLE FIXED ASSETS

|   | Land and<br>buildings<br>£000 | Hire plant<br>£000 | Motor<br>vehicles<br>£000 | Other<br>assets<br>£000 | Total<br>£000 |
|---|-------------------------------|--------------------|---------------------------|-------------------------|---------------|
| <b>GROUP</b>                                |                               |                    |                           |                         |               |
| Cost or valuation                           |                               |                    |                           |                         |               |
| At beginning of year                        | 17,925                        | 135,834            | 4,207                     | 5,798                   | 163,764       |
| Exchange differences                        | 267                           | 3,145              | 102                       | 102                     | 3,616         |
| Transfers between items                     | -                             | (187)              | -                         | 187                     | -             |
| Additions                                   | 840                           | 21,370             | 712                       | 707                     | 23,629        |
| Disposals                                   | (692)                         | (24,851)           | (1,033)                   | (179)                   | (26,755)      |
| Disposal of the US business                 | (4,811)                       | (57,261)           | (1,763)                   | (1,800)                 | (65,635)      |
| Revaluation                                 | (2,504)                       | -                  | -                         | -                       | (2,504)       |
| At end of year                              | <u>11,025</u>                 | <u>78,050</u>      | <u>2,225</u>              | <u>4,815</u>            | <u>96,115</u> |
| Depreciation                                |                               |                    |                           |                         |               |
| At beginning of year                        | 2,426                         | 72,585             | 3,045                     | 3,554                   | 81,610        |
| Exchange differences                        | 77                            | 1,438              | 80                        | 72                      | 1,667         |
| Transfers between items                     | -                             | (127)              | -                         | 127                     | -             |
| Utilisation of the reorganisation provision | 372                           | -                  | -                         | -                       | 372           |
| Charge for year                             | 327                           | 12,394             | 379                       | 793                     | 13,893        |
| On disposals                                | (125)                         | (18,120)           | (799)                     | (155)                   | (19,199)      |
| Disposal of the US business                 | (1,458)                       | (24,215)           | (1,193)                   | (1,420)                 | (28,286)      |
| Revaluation                                 | (110)                         | -                  | -                         | -                       | (110)         |
| At end of year                              | <u>1,509</u>                  | <u>43,955</u>      | <u>1,512</u>              | <u>2,971</u>            | <u>49,947</u> |
| Net book value                              |                               |                    |                           |                         |               |
| At 31 March 1996                            | <u>9,516</u>                  | <u>34,095</u>      | <u>713</u>                | <u>1,844</u>            | <u>46,168</u> |
| At 31 March 1995                            | <u>15,499</u>                 | <u>63,249</u>      | <u>1,162</u>              | <u>2,244</u>            | <u>82,154</u> |
| <b>COMPANY</b>                              |                               |                    |                           |                         |               |
| Cost or valuation                           |                               |                    |                           |                         |               |
| At beginning of year                        | 13,399                        | 82,576             | 2,489                     | 4,071                   | 102,535       |
| Transfers between items                     | -                             | (114)              | -                         | 114                     | -             |
| Additions                                   | 586                           | 12,692             | 279                       | 662                     | 14,219        |
| Disposals                                   | (456)                         | (17,104)           | (543)                     | (32)                    | (18,135)      |
| Revaluation                                 | (2,504)                       | -                  | -                         | -                       | (2,504)       |
| At end of year                              | <u>11,025</u>                 | <u>78,050</u>      | <u>2,225</u>              | <u>4,815</u>            | <u>96,115</u> |
| Depreciation                                |                               |                    |                           |                         |               |
| At beginning of year                        | 1,133                         | 48,240             | 1,692                     | 2,325                   | 53,390        |
| Transfers between items                     | -                             | (87)               | -                         | 87                      | -             |
| Charge for year                             | 141                           | 8,082              | 209                       | 580                     | 9,012         |
| Utilisation of the reorganisation provision | 372                           | -                  | -                         | -                       | 372           |
| On disposals                                | (27)                          | (12,280)           | (389)                     | (21)                    | (12,717)      |
| Revaluation                                 | (110)                         | -                  | -                         | -                       | (110)         |
| At end of year                              | <u>1,509</u>                  | <u>43,955</u>      | <u>1,512</u>              | <u>2,971</u>            | <u>49,947</u> |
| Net book value                              |                               |                    |                           |                         |               |
| At 31 March 1996                            | <u>9,516</u>                  | <u>34,095</u>      | <u>713</u>                | <u>1,844</u>            | <u>46,168</u> |
| At 31 March 1995                            | <u>12,266</u>                 | <u>34,336</u>      | <u>797</u>                | <u>1,746</u>            | <u>49,145</u> |





# Notes

## 12. TANGIBLE FIXED ASSETS (continued)

The net book value of land and buildings is analysed as follows:

|                 | Group        |               | Company      |               |
|-----------------|--------------|---------------|--------------|---------------|
|                 | 1996         | 1995          | 1996         | 1995          |
|                 | £000         | £000          | £000         | £000          |
| Freehold        | 8,200        | 14,361        | 8,200        | 11,176        |
| Long leasehold  | 679          | 894           | 679          | 894           |
| Short leasehold | 637          | 244           | 637          | 196           |
|                 | <u>9,516</u> | <u>15,499</u> | <u>9,516</u> | <u>12,266</u> |

The Directors carried out a valuation of the Group's properties as at 31 March 1996 in conjunction with Cluttons Property Consultants. The valuation, which has been incorporated in the financial statements for this year was performed on an open market basis for existing use, except where the Directors, after taking advice, considered it appropriate to reflect the economic value of a property to the business. Such distinctions have only been made where the Directors believe open market or net realisable value would substantially understate the economic value of the property to the Group. The Directors' valuation in such circumstances does not exceed original cost.

If the properties had not been included in these financial statements based on valuation they would have been stated at the following amounts:

|   | Group        |               | Company      |              |
|---|--------------|---------------|--------------|--------------|
|   | 1996         | 1995          | 1996         | 1995         |
|   | £000         | £000          | £000         | £000         |
| Historical cost of land and buildings           | 8,337        | 12,911        | 8,337        | 8,385        |
| Aggregate depreciation based on historical cost | (1,388)      | (2,231)       | (1,388)      | (938)        |
| Historical cost net book value                  | <u>6,949</u> | <u>10,680</u> | <u>6,949</u> | <u>7,447</u> |

Other tangible fixed assets are included at cost.

The gross book value of land and buildings includes £4,393,000 (1995: £7,807,000) (Company: £4,393,000 (1995: £6,646,000)) of freehold land not subject to depreciation.

Included in the total net book value of fixed assets is £7,141,000 (1995: £6,092,000) (Company: £7,141,000 (1995: £5,917,000)) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £2,090,000 (1995: £1,239,000) (Company: £1,700,000 (1995: £1,129,000)).

The amount of assets held for use in operating leases to third parties is as follows:

|                          | Group         |               | Company       |               |
|--------------------------|---------------|---------------|---------------|---------------|
|                          | 1996          | 1995          | 1996          | 1995          |
|                          | £000          | £000          | £000          | £000          |
| Cost                     | 78,050        | 135,834       | 78,050        | 82,576        |
| Accumulated depreciation | (43,955)      | (72,585)      | (43,955)      | (48,240)      |
| Net book value           | <u>34,095</u> | <u>63,249</u> | <u>34,095</u> | <u>34,336</u> |

## 13. FIXED ASSET INVESTMENTS

Investments in subsidiary undertakings are as follows:

|                              | Company      |
|------------------------------|--------------|
|                              | £000         |
| Cost                         | 3,033        |
| At beginning and end of year |              |
| Provision                    |              |
| At beginning of year         | -            |
| Increase in provision        | 1,687        |
| At end of year               | <u>1,687</u> |
| Net book value               |              |
| At 31 March 1996             | <u>1,346</u> |
| At 31 March 1995             | <u>3,033</u> |

The Company's principal subsidiary undertaking is:

|                                | Country of registration or incorporation | Principal activity | Country of principal operation | Class and percentage of shares held |
|--------------------------------|--|--------------------|--------------------------------|-------------------------------------|
| Vibroplant Investments Limited | England                                  | Holding Company    | UK                             | Ordinary shares<br>100%             |

Further subsidiaries have not been shown because they are either not material or are dormant. Their particulars will be included in the next annual return.



# Notes

## 14. STOCKS

|                                     | Group        |              | Company      |              |
|-------------------------------------|--------------|--------------|--------------|--------------|
|                                     | 1996         | 1995         | 1996         | 1995         |
|                                     | £000         | £000         | £000         | £000         |
| Raw materials and consumables       | 1,013        | 2,910        | 1,013        | 1,216        |
| Finished goods and goods for resale | 3            | 236          | 3            | -            |
|                                     | <u>1,016</u> | <u>3,146</u> | <u>1,016</u> | <u>1,216</u> |

## 15. DEBTORS

|   | Group         |               | Company      |               |
|---|---------------|---------------|--------------|---------------|
|   | 1996          | 1995          | 1996         | 1995          |
|   | £000          | £000          | £000         | £000          |
| Amounts falling due within one year     |               |               |              |               |
| Trade debtors                           | 7,903         | 13,261        | 7,903        | 8,951         |
| Amounts owed by subsidiary undertakings | -             | -             | -            | 12,479        |
| Tax recoverable                         | -             | 268           | -            | -             |
| Advance corporation tax recoverable     | 306           | 257           | 306          | 257           |
| Other debtors                           | 235           | 761           | 235          | 274           |
| Prepayments and accrued income          | 1,287         | 2,101         | 1,287        | 1,003         |
| Deferred taxation (see note 20)         | 1,090         | -             | -            | -             |
|   | <u>10,821</u> | <u>16,648</u> | <u>9,731</u> | <u>22,964</u> |

## 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 1996          | 1995          | 1996          | 1995          |
|  | £000          | £000          | £000          | £000          |
| Bank loans and overdrafts (see note 18)                                    | -             | 9,034         | -             | 4,433         |
| Obligations under finance leases and hire purchase contracts (see note 17) | 2,298         | 1,712         | 2,298         | 1,623         |
| Trade creditors  | 9,188         | 5,844         | 9,188         | 5,193         |
| Amounts owed to subsidiary undertakings                                    | -             | -             | 12,892        | 1,282         |
| Corporation tax  | 2,450         | 961           | 147           | 961           |
| Advance corporation tax  | 769           | 462           | -             | 462           |
| Other taxes and social security  | 483           | 963           | 483           | 608           |
| Other creditors  | 590           | 354           | 590           | 354           |
| Accruals and deferred income   | 2,708         | 1,719         | 873           | 347           |
| Dividend proposed  | 1,224         | 1,224         | 1,224         | 1,224         |
|  | <u>19,710</u> | <u>22,273</u> | <u>27,695</u> | <u>16,487</u> |

## 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|  | Group        |               | Company      |              |
|--|--------------|---------------|--------------|--------------|
|  | 1996         | 1995          | 1996         | 1995         |
|  | £000         | £000          | £000         | £000         |
| Bank loans and overdrafts (see note 18)                                  | -            | 10,429        | -            | -            |
| Obligations under finance leases and hire purchase contracts (see below) | 4,926        | 4,490         | 4,926        | 4,389        |
| Trade creditors  | -            | 824           | -            | 824          |
| Accruals and deferred income   | 120          | 71            | 120          | 71           |
|  | <u>5,046</u> | <u>15,814</u> | <u>5,046</u> | <u>5,284</u> |

The maturity of obligations under finance leases and hire purchase contracts is as follows:

|                              | Group        |              | Company      |              |
|------------------------------|--------------|--------------|--------------|--------------|
|                              | 1996         | 1995         | 1996         | 1995         |
|                              | £000         | £000         | £000         | £000         |
| Within one year              | 2,298        | 1,712        | 2,298        | 1,623        |
| In the second to fifth years | 4,926        | 4,490        | 4,926        | 4,389        |
|                              | <u>7,224</u> | <u>6,202</u> | <u>7,224</u> | <u>6,012</u> |

## 18. BANK LOANS AND OVERDRAFTS

|         | Payable within one year or on demand |              | Payable within 1-2 years |              | Payable within 2-5 years |              | Total        |              |
|---------|--------------------------------------|--------------|--------------------------|--------------|--------------------------|--------------|--------------|--------------|
|         | 1996<br>£000                         | 1995<br>£000 | 1996<br>£000             | 1995<br>£000 | 1996<br>£000             | 1995<br>£000 | 1996<br>£000 | 1995<br>£000 |
| Group   | -                                    | 9,034        | -                        | 2,301        | -                        | 8,128        | -            | 19,463       |
| Company | -                                    | 4,433        | -                        | -            | -                        | -            | -            | 4,433        |

## 19. PROVISIONS FOR LIABILITIES AND CHARGES

|  | Taxation including deferred taxation<br>£000 | Reorganisation Provision<br>£000 | Total<br>£000 |
|--|--|----------------------------------|---------------|
| <b>Group</b>                                       |  |                                  |               |
| At beginning of year                               | 5,003  | 1,660                            | 6,663         |
| Exchange difference                                | 322  | -                                | 322           |
| Charge for the year in the profit and loss account | 421  | -                                | 421           |
| Deferred taxation included in sale of US business  | (6,885)                                      | -                                | (6,885)       |
| Utilised   | -  | (1,543)                          | (1,543)       |
| Movement in advance corporation tax                | 49   | -                                | 49            |
| Transfer to debtors                                | 1,090  | -                                | 1,090         |
| At end of year                                     | -  | 117                              | 117           |
| <b>Company</b>                                     |  |                                  |               |
| At beginning of year                               | 32   | 1,660                            | 1,692         |
| Charge for the year in the profit and loss account | (17)   | -                                | (17)          |
| Utilised   | -  | (1,543)                          | (1,543)       |
| Movement in advance corporation tax                | 49   | -                                | 49            |
| At end of year                                     | 64   | 117                              | 181           |

## 20. DEFERRED TAXATION

The amounts provided for deferred taxation and the amounts not provided are set out below:

|   | 1996             |                    | 1995             |                    |
|---|------------------|--------------------|------------------|--------------------|
|   | Provided<br>£000 | Unprovided<br>£000 | Provided<br>£000 | Unprovided<br>£000 |
| <b>Group</b>  |                  |                    |                  |                    |
| Difference between accumulated depreciation and amortisation and capital allowances | 346              | 3,605              | 7,575            | 3,131              |
| Short term timing differences   | (1,436)          | -                  | (2,523)          | -                  |
| On revaluation of land and buildings  | -                | -                  | -                | 50                 |
| Advance corporation tax recoverable   | -                | -                  | (49)             | -                  |
| Deferred taxation (asset)/liability   | (1,090)          | 3,605              | 5,003            | 3,181              |
| <b>Company</b>  |                  |                    |                  |                    |
| Difference between accumulated depreciation and amortisation and capital allowances | 346              | 3,605              | 474              | 3,131              |
| Short term timing differences   | (282)            | -                  | (393)            | -                  |
| On revaluation of land and buildings  | -                | -                  | -                | 50                 |
| Advance corporation tax recoverable   | -                | -                  | (49)             | -                  |
| Deferred taxation liability   | 64               | 3,605              | 32               | 3,181              |

## 21. CALLED UP SHARE CAPITAL

|   | 1996<br>£000 | 1995<br>£000 |
|---|--------------|--------------|
| <b>Authorised</b>   |              |              |
| 60,000,000 Ordinary shares of 5 pence each                    | 3,000        | 3,000        |
| Allotted, called up and fully paid                            | 2,309        | 2,309        |
| 46,185,000 Ordinary shares of 5 pence each (1995: 46,185,000) |              |              |

# Notes

## 22. EXECUTIVE SHARE OPTION SCHEME

During the year under review, no further options were granted in respect of ordinary shares under the Vibroplant Executive Share Option Scheme. It is not the Board's intention to grant any further options under this scheme.

At 31 March 1996 share options were outstanding as follows:

| Date of Grant    | Option price<br>per ordinary share | Number of<br>shares |
|------------------|------------------------------------|---------------------|
| 1 September 1988 | 148p                               | 2,250               |
| 1 December 1989  | 152p                               | 18,300              |

Options are normally exercisable between the third and tenth anniversary of the date of grant.

Currently there are 10 participants in the Executive Share Option Scheme.

The market value of the ordinary shares at 31 March 1996 was 93.5p (1995: 103.5p).

## 23. DIRECTORS' INTERESTS

No Director nor his or her spouse or infant children held any shares in the Company's subsidiaries. The beneficial interest of each Director, including those of his or her spouse and infant children, in the shares of the Company itself at the beginning and end of the financial year is set out below:

|                    | 31 March 1996 | 1 April 1995<br>or date of<br>appointment |
|--------------------|---------------|---|
| J F G Pilkington   | -             | -   |
| B Cottingham       | 35,000        | 35,000                                    |
| J Mawdsley         | 5,000         | 5,000                                     |
| Mrs M A Pilkington | 54,440        | 54,440                                    |
| R V Swarbrick      | 36,064        | 30,800                                    |
| E R Woolley        | 10,000        | -   |

During the year J F G Pilkington was interested in 23,684,876 shares registered in the name of Ackers P Investment Company, a company controlled by him together with Trusts which are connected persons for the purposes of Section 346 of the Companies Act 1985.

On 31 March 1996 J Mawdsley resigned as a Director and he has subsequently sold his shares. There were no other changes in the interests of the Directors between 31 March 1996 and 5 July 1996.

## 24. SHARE PREMIUM AND RESERVES

|   | Share<br>premium<br>account<br>£000 | Revaluation<br>reserve<br>£000 | Profit<br>and loss<br>account<br>£000 |
|---|-------------------------------------|--------------------------------|---------------------------------------|
| <b>Group</b>                                    |                                     |                                |                                       |
| At beginning of year                            | 16,192                              | 4,630                          | 35,884                                |
| Retained loss for year                          | -                                   | -                              | (4,026)                               |
| Goodwill transferred to profit and loss account | -                                   | -                              | 2,285                                 |
| Revaluation of properties                       | -                                   | (2,394)                        | -                                     |
| Transfer from Group Company                     | -                                   | 178                            | (178)                                 |
| Reversal of prior year transfer                 | -                                   | 189                            | (189)                                 |
| Depreciation of revalued assets                 | -                                   | (36)                           | 36                                    |
| Exchange adjustments                            | -                                   | -                              | 1,258                                 |
| At end of year                                  | <u>16,192</u>                       | <u>2,567</u>                   | <u>35,070</u>                         |
| <b>Company</b>                                  |                                     |                                |                                       |
| At beginning of year                            | 16,192                              | 4,630                          | 29,764                                |
| Retained loss for year                          | -                                   | -                              | (410)                                 |
| Revaluation of properties                       | -                                   | (2,394)                        | -                                     |
| Transfer from Group Company                     | -                                   | 178                            | (178)                                 |
| Reversal of prior year transfer                 | -                                   | 189                            | (189)                                 |
| Depreciation on revalued assets                 | -                                   | (36)                           | 36                                    |
| At end of year                                  | <u>16,192</u>                       | <u>2,567</u>                   | <u>29,023</u>                         |

The reversal of a prior year transfer relates to the property element of the 1995 reorganisation provision which was ultimately not utilised against revalued properties.

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off against reserves is £1,281,000 (1995: £3,566,000). This amount excludes goodwill attributable to subsidiary undertakings or businesses disposed of prior to the balance sheet date.

The amount of the profit for the financial year dealt with in the accounts of the holding company was £1,461,000 (1995: £2,648,000).



## 25. EQUITY MINORITY INTERESTS

|                              | Group     |           |
|------------------------------|-----------|-----------|
|                              | 1996      | 1995      |
|                              | £000      | £000      |
| At beginning and end of year | <u>27</u> | <u>27</u> |

## 26. CONTINGENT LIABILITIES

As a result of the sale of the United States business there are potential liabilities under the contract for environmental costs, warranties and litigation. Provision has been made in these accounts to the extent that these liabilities can reasonably be expected to occur based on appropriate professional advice.

## 27. COMMITMENTS

(i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

|            | Group      |               | Company    |              |
|------------|------------|---------------|------------|--------------|
|            | 1996       | 1995          | 1996       | 1995         |
|            | £000       | £000          | £000       | £000         |
| Contracted | <u>534</u> | <u>12,862</u> | <u>534</u> | <u>4,887</u> |

(ii) Annual commitments under non-cancellable operating leases are as follows:

|  | 1996               |              | 1995               |              |
|--|--------------------|--------------|--------------------|--------------|
|  | Land and buildings | Other        | Land and buildings | Other        |
|  | £000               | £000         | £000               | £000         |
| <b>Group</b>                           |                    |              |                    |              |
| Operating leases which expire:         |                    |              |                    |              |
| Within one year                        | -                  | 74           | 94                 | 125          |
| In the second to fifth years inclusive | 15                 | 1,837        | 226                | 1,207        |
| Over five years                        | <u>129</u>         | <u>-</u>     | <u>73</u>          | <u>134</u>   |
|  | <u>144</u>         | <u>1,911</u> | <u>393</u>         | <u>1,466</u> |
| <b>Company</b>                         |                    |              |                    |              |
| Operating leases which expire:         |                    |              |                    |              |
| Within one year                        | -                  | 74           | -                  | 103          |
| In the second to fifth years inclusive | 15                 | 1,837        | 24                 | 992          |
| Over five years                        | <u>129</u>         | <u>-</u>     | <u>73</u>          | <u>-</u>     |
|  | <u>144</u>         | <u>1,911</u> | <u>97</u>          | <u>1,095</u> |

## 28. PENSION SCHEME

The Group operates defined contribution schemes and a defined benefit scheme. The assets of the schemes are held in separate trustee administered funds. Contributions into the defined benefit pension scheme are assessed by a qualified actuary using the projected unit credit method.

The latest actuarial assessment of the defined benefit scheme was as at 1 April 1994. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 9% per annum, that salary increases would average 7% per annum, and that pensions would increase in line with the rules of the scheme. Prior to the latest actuarial assessment, a long term positive yield of 1% had been assumed. The revision to 2% was made on the recommendation of the Group's advisors and is in line with industry practice. The above assumptions are for SSAP24 purposes.

At the date of the latest actuarial valuation, the total market value of the scheme's assets, together with their actuarial funding level as a percentage of accrued benefits after allowing for future increase in earnings was £3,675,000 (146%).

The cost of pensions for the year was £402,000 (1995: £209,000). The cost includes payments under the defined contribution scheme and the regular cost of the defined benefit scheme.

An amount of £120,000 (1995: £71,000) is included in creditors falling due after one year, which represents the excess of the accumulated pension cost over the payment of contributions to the pension fund.

# Notes

## 29. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

|   | 1996          | 1995          |
|---|---------------|---------------|
|   | £000          | £000          |
| Operating profit                                  | 5,482         | 12,316        |
| Depreciation charge (net of backlog depreciation) | 13,807        | 7,760         |
| Profit on sale of tangible fixed assets           | (3,523)       | (2,489)       |
| (Increase)/decrease in stocks                     | (164)         | 500           |
| Decrease/(increase) in debtors                    | 2,100         | (796)         |
| Increase/(decrease) in creditors                  | 4,159         | 3,908         |
| Net cash inflow from operating activities         | <u>21,861</u> | <u>21,199</u> |

## 30. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

|  | Cash          | Overdraft      | Net            |
|--|---------------|----------------|----------------|
|  | £000          | £000           | £000           |
| Balance at 31 March 1994   | 654           | (4,682)        | (4,028)        |
| Net cash inflow before adjustments for foreign exchange rate changes | 1,288         | 100            | 1,388          |
| Effect of foreign exchange rate changes                              | (98)          | 149            | 51             |
| Balance at 31 March 1995   | <u>1,844</u>  | <u>(4,433)</u> | <u>(2,589)</u> |
| Net cash inflow before adjustments for foreign exchange rate changes | 20,907        | 4,575          | 25,482         |
| Effect of foreign exchange rate changes                              | 282           | (142)          | 140            |
| Balance at 31 March 1996   | <u>23,033</u> | <u>-</u>       | <u>23,033</u>  |

## 31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

|   | Share capital<br>(including premium)<br>£000 | Loans and finance lease obligations<br>£000 |
|---|--|---|
| Balance at 31 March 1994                          | 18,367                                       | 17,404                                      |
| Issue of ordinary share capital                   | 134  | -   |
| Repayment of bank loans                           | -  | (13,809)                                    |
| New medium term loan                              | -  | 15,605                                      |
| Principal repayments of finance lease obligations | -  | (1,516)                                     |
| Inception of finance lease contracts              | -  | 4,784                                       |
| Exchange difference                               | -  | (1,236)                                     |
| Balance at 31 March 1995                          | <u>18,501</u>                                | <u>21,232</u>                               |
| Repayment of bank loans                           | -  | (2,393)                                     |
| Principal repayments of finance lease obligations | -  | (2,068)                                     |
| Inception of finance lease contracts              | -  | 3,435                                       |
| Medium term loans included in sale of business    | -  | (13,482)                                    |
| Finance leases included in sale of business       | -  | (358)                                       |
| Exchange difference                               | -  | 858   |
| Balance at 31 March 1996                          | <u>18,501</u>                                | <u>7,224</u>                                |

## 32. SALE OF BUSINESS

The Group disposed of Vibroplant US Inc. on 26 February 1996. The net assets disposed were:

|   | £000            |
|---|-----------------|
| Fixed Assets                            | 37,349          |
| Stocks                                  | 2,415           |
| Debtors                                 | 5,385           |
| Cash                                    | 2,399           |
| Bank overdraft                          | (10,314)        |
| Creditors                               | <u>(23,477)</u> |
|   | 13,757          |
| Loss on disposal                        | (1,388)         |
| Goodwill on disposal                    | <u>2,285</u>    |
|   | 14,654          |
| Cash at bank disposed                   | (2,399)         |
| Bank overdraft disposed                 | <u>10,314</u>   |
| Net inflow of cash and cash equivalents | <u>22,569</u>   |

## 33. ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Ackers P Investment Company which is the ultimate parent Company registered in England. Consolidated accounts are not prepared for this Company.





# Five Year Summary

|   | 1992<br>restated<br>£000 | 1993<br>restated<br>£000 | 1994<br>restated<br>£000 | 1995<br>£000   | 1996<br>£000   |
|---|--------------------------|--------------------------|--------------------------|----------------|----------------|
| Turnover  | <u>70,056</u>            | <u>64,691</u>            | <u>66,951</u>            | <u>67,727</u>  | <u>64,422</u>  |
| Profit on ordinary activities before taxation       | 4,428                    | 1,900                    | 2,796                    | 9,429          | 2,379          |
| Taxation  | <u>(1,468)</u>           | <u>(692)</u>             | <u>(1,050)</u>           | <u>(4,187)</u> | <u>(4,534)</u> |
| Profit/(loss) on ordinary activities after taxation | 2,960                    | 1,208                    | 1,746                    | 5,242          | (2,155)        |
| Minority interests                                  | <u>(25)</u>              | <u>16</u>                | <u>(4)</u>               | <u>-</u>       | <u>-</u>       |
| Profit/(loss) attributable to members               | <u>2,935</u>             | <u>1,224</u>             | <u>1,742</u>             | <u>5,242</u>   | <u>(2,155)</u> |
| Dividends   | <u>(1,657)</u>           | <u>(1,150)</u>           | <u>(1,657)</u>           | <u>(1,851)</u> | <u>(1,871)</u> |
| Share capital                                       | 2,301                    | 2,301                    | 2,301                    | 2,309          | 2,309          |
| Reserves  | <u>52,491</u>            | <u>55,008</u>            | <u>54,831</u>            | <u>56,706</u>  | <u>53,829</u>  |
| Equity shareholders' funds                          | <u>54,792</u>            | <u>57,309</u>            | <u>57,132</u>            | <u>59,015</u>  | <u>56,138</u>  |
| Share Statistics                                    |                          |                          |                          |                |                |
| Asset value   | <u>119p</u>              | <u>124p</u>              | <u>124p</u>              | <u>128p</u>    | <u>122p</u>    |
| Earnings/(loss)                                     | <u>6.38p</u>             | <u>2.66p</u>             | <u>3.78p</u>             | <u>11.37p</u>  | <u>(4.67)p</u> |
| Dividend  | <u>3.60p</u>             | <u>2.50p</u>             | <u>3.60p</u>             | <u>4.00p</u>   | <u>4.05p</u>   |
| Times covered                                       | <u>1.77</u>              | <u>1.06</u>              | <u>1.05</u>              | <u>2.83</u>    | <u>-</u>       |

# Notice of Meeting

Notice is hereby given that the twenty fourth Annual General Meeting of the Company will be held at Nidd Hall, Nidd, Harrogate on Thursday 5 September 1996 at 1 pm for the following purposes:

## As ordinary business

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 March 1996.
2. To declare a Final Dividend.
3. To re-elect Directors.
4. To appoint KPMG Audit Plc as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, at which the accounts are laid before the Company and to authorise the Directors to fix their remuneration.

## As special business

To consider and, if though fit, pass the following resolutions of which Resolution 5 will be proposed as an Ordinary Resolution and Resolution 6 will be proposed as a Special Resolution:

5. That for the purposes of Section 80 of the Companies Act 1985 (and so that expressions defined in that Section shall bear the same meanings as in this Resolution) the Directors be, and they are, generally authorised to allot relevant securities up to a maximum nominal amount of £690,750 to such persons at such times and on such terms as they think proper during the period expiring on the date of the next Annual General Meeting after the passing of this Resolution (or any adjournment thereof) save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
6. That the Directors be and they are hereby generally authorised to allot for cash or otherwise equity securities (as defined in Section 94 of the Companies Act 1985 "the Act") of the Company pursuant to the authority conferred by Resolution 5 above as if Section 89 of the Act did not apply to such allotment provided that this power shall be limited:

- (a) to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of Ordinary Shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be practicable having regard to the interests of the

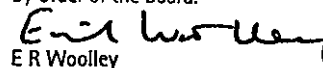
Company as a whole) to the respective numbers of Ordinary Shares held by them on the record date for such allotment but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any Stock Exchange in any territory;

- (b) to the allotment of equity securities pursuant to the terms of any share schemes for Directors and employees of the Company or any of its subsidiaries approved by the Company in General Meeting; and

- (c) to the allotment otherwise than pursuant to subparagraphs (a) and (b) above of equity securities not exceeding in aggregate the nominal amount of £115,000.

Provided further that the authority hereby granted shall expire at the conclusion of the next Annual General Meeting after the passing of this Resolution (or any adjournment thereof) save that the Directors shall be entitled to make at any time before the expiry of the power hereby conferred any offer or agreement which might require equity securities to be allotted after the expiry of such power.

By Order of the Board.

  
E R Woolley  
Secretary

23 July 1996

## Notes

A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll, vote instead of him and that proxy need not also be a member. A form of proxy is enclosed for this purpose. It must be deposited at the Company's registered office not less than 48 hours before the time fixed for the meeting.

# Annual General Meeting Form of Proxy

I/We \_\_\_\_\_  
(BLOCK LETTERS)

of \_\_\_\_\_  
\_\_\_\_\_

being a registered holder(s) of \* \_\_\_\_\_ Ordinary Shares in the capital of Vibroplant plc hereby appoint the Chairman of the Meeting, or (note 2) \_\_\_\_\_ as my/our Proxy to attend and on a poll (and in the case of a Corporation on a show of hands and poll) vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday 5 September 1996, and at any adjournment thereof. I/we request the Proxy to vote on the following resolutions as indicated.

## Resolutions

|   |   | FOR | AGAINST |
|---|---|-----|---------|
| 1 | To receive and adopt the Directors' Report and Financial Statements for the year ended 31 March 1996. |     |         |
| 2 | To declare a final dividend.  |     |         |
| 3 | To re-elect Directors<br>- Mr B Cottingham<br>- Mr S J Doughty  |     |         |
| 4 | To appoint KPMG Audit Plc as Auditors and to authorise the Directors to fix their remuneration.       |     |         |
| 5 | To approve the authority to allot shares.   |     |         |
| 6 | To approve the disapplication of pre-emption rights.  |     |         |

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 1996

Signature \_\_\_\_\_

## Notes

- Please indicate how you wish your vote to be cast. If you do not indicate how you wish your proxy to use your vote on any particular matter the proxy will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.
- If you prefer to appoint some other person or persons as your proxy, strike out the words "the Chairman of the Meeting", and insert in the blank space the name or names preferred and initial the alteration. A proxy need not be a member of the Company.
- In the case of joint holders only one need sign as the vote of the senior holder who tenders a vote will alone be counted.
- If the member is a Corporation this form must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.
- To be effective this Proxy must be completed, signed and must be lodged (together with any power of attorney or duly certified copy thereof under which this proxy is signed) at the Registered Office of the Company at Central House, Beckwith Knowle, Otley Road, Harrogate HG3 1BR not less than 48 hours before the time appointed for the meeting.
- \* Insert the number of Ordinary Shares in respect of which the form of Proxy is given. If the number is not inserted, the form of Proxy will be taken to have been given in respect of all Ordinary Shares held.

THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE  
Licence Number LS 1583

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