

**Vp plc**

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V P P L C A N N U A L R E P O R T & A C C O U N T S 2 0 0 6

### **UK Forks**

Rough terrain material handling equipment for industry, residential and general construction.

### **Groundforce**

Engineered support systems and specialist products for the water, civil engineering and construction industries, incorporating:

- Groundforce Shorco – shoring.
- Piletec Dudley Vale – pile driving and breaking.
- Stopper Specialists – pipe integrity testing.
- Survey Technology – surveying and water flow measurement.

### **Airpac Bukom Oilfield Services**

Equipment and service providers to the international oil and gas exploration and development markets.

### **Hire Station**

Small tools and equipment for industry and construction, incorporating:

- Hire Station – tool hire products.
- ESS Safeorce – safety and environmental products.
- Lifting Point – materials handling and lifting gear hire.
- Pivotal Performance – safety and management training and associated services.

### **Torrent Trackside**

Infrastructure equipment and services for the railway renewals and maintenance industry.

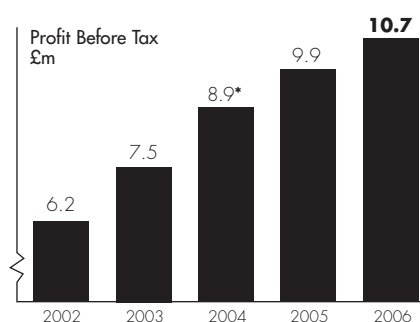
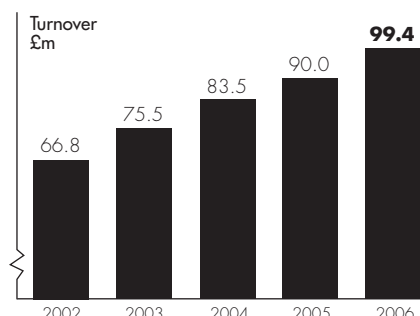
### **TPA**

Portable roadway systems, fencing, barriers, bridges and pedestrian ground access systems to the events, rail, construction, telecommunications and power transmission markets.

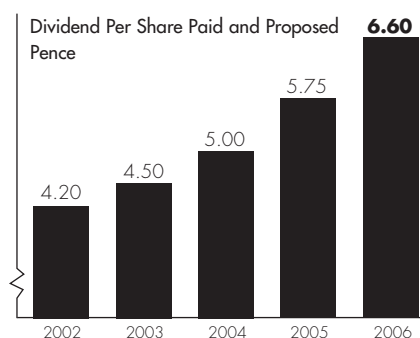
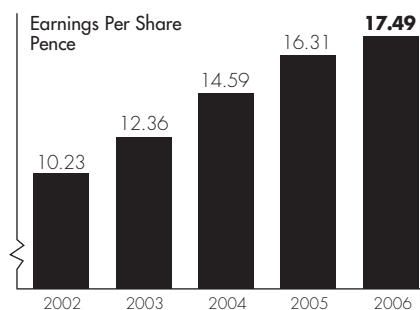
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	2006	2005
Turnover	<b>£99.4m</b>	£90.0m
Profit before taxation	<b>£10.7m</b>	£9.9m
Earnings per share	<b>17.49p</b>	16.31p
Dividend per share – paid and proposed	<b>6.60p</b>	5.75p
Return on average capital employed	<b>15.4%</b>	16.3%
Net assets per share	<b>131p</b>	120p
Net debt	<b>£32.6m</b>	£2.4m
Net debt / total equity	<b>54.1%</b>	4.4%
Interest cover	<b>14.5x</b>	33.1x
Expenditure on rental equipment	<b>£16.9m</b>	£13.4m



\* Including £0.6m of property profit



The figures in these graphs for 2002 to 2004 are as disclosed under UK GAAP. Those for 2005 and 2006 are stated under adopted IFRSs.

**Executive Directors**

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

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

Michael J Holt, B.A., M.B.A, F.C.A., A.M.C.T.

**Non Executive Directors**

Barrie Cottingham, F.C.A., A.T.I.I. (Senior Non Executive Director)

Peter W Parkin

**Secretary**

Michael J Holt

**Registered Office**

Central House, Beckwith Knowle,

Otley Road, Harrogate, North Yorkshire, HG3 1UD

Registered in England: No 481833

Telephone: 01423 533400

**Auditors**

KPMG Audit Plc, 1 The Embankment,

Neville Street, Leeds, West Yorkshire, LS1 4DW

**Solicitors**

Hammonds,

2 Park Lane, Leeds, West Yorkshire, LS3 1ES

**Registrars and Transfer Office**

Capita Registrars, The Registry,

34 Beckenham Road, Beckenham, Kent, BR3 4TU

**Bankers**

National Westminster Bank PLC

Barclays Bank PLC

**Merchant Bankers**

N M Rothschild & Sons Limited

**Stockbrokers**

Brewin Dolphin Securities Limited

## RESULTS

I am pleased to report another year of very satisfactory progress for the Group. Profits before tax rose 13% to £11.2 million (before the £0.5 million restructuring charge associated with the Pivotal acquisition). Prior year profits restated under adopted IFRSs were £9.9 million. Revenue rose 10% to £99.4 million.

Earnings per share increased 7% to 17.49 pence (2005: 16.31 pence restated under adopted IFRSs).

The Board is recommending a final dividend of 4.65 pence per share making a total for the year of 6.60 pence (2005: 5.75 pence), an increase of 15%. The dividend is payable on 2 October 2006 to shareholders registered as at 8 September 2006.

Highlights of the year include the profit turnaround at Hire Station, the excellent profit growth at UK Forks and the very significant level of acquisition activity with £36 million spent on acquisitions during the period. We discuss these in more detail below and in the Business Review. In addition, £16.9 million was invested in organic fleet expansion and renewal. Net debt at 31 March 2006 stood at £32.6 million (2005: £2.4 million), representing gearing of 54%. Strong interest cover of 14.5 times (2005: 33.1 times) supports our ability to pursue future growth opportunities.

## UK FORKS

UK Forks had an excellent year with profits rising 44% to £2.1 million on revenues ahead 11% at £14.3 million.

Further good progress was made during the year within the housebuilding market, although we did experience some softening in activity towards the end of the period. Demand from general construction and other sectors remained firm.

Given the capital intensive nature of this business, we were very pleased to see further improvement in the UK Forks return on capital employed to 16% in the period.

## GROUNDFORCE

As we had expected, infrastructure investment by the water utilities sector slowed during the year as they transitioned to their new AMP4 five year asset management programme. Demand in other areas remained firm but was not sufficient to fully compensate for the reduction in water related work. Revenues fell by 4% to £23.5 million and profits reduced 9% to £5.3 million.

We are now starting to see contracts released under the AMP4 programme and as this process gathers pace it will help to underpin business progress later this year and further into the future.

At the end of November we acquired, for £3.5 million, the business and assets of Dudley Vale, a leading provider of piling equipment to the construction, civil engineering and utilities markets. Dudley Vale's activities have been integrated into Piletec, Groundforce's existing piling equipment rental and sales activity. The business now trades as Piletec Dudley Vale. The combination of these businesses gives us market leadership in this sector and puts us in a strong position to take full advantage of recovering workloads.

## AIRPAC BUKOM OILFIELD SERVICES

After a doubling of profits last year, Airpac made further progress in growing profits by 10% to £1.2 million on revenues ahead 12% at £5.0 million. In March, Airpac acquired one of its leading competitors, Bukom Oilfield Services, for £5.7 million plus assumed debt of £3.0 million. The combined business now trades as Airpac Bukom Oilfield Services and has doubled our market share in this specialised sector.

Bukom offers a similar range of services to Airpac but with a broader geographic exposure, particularly in the expanding markets of Africa, Australia and South America and some enhanced product capabilities.

The oilfield services sector is currently enjoying robust health on the back of strong oil prices. The scale of the combined business should enable us to better take advantage of the attractive growth opportunities in this market. We expect to make further significant capital investment in this business.

## **HIRE STATION**

Hire Station has made a very pleasing recovery to profitability in the year. Profits of £1.9 million, before one off restructuring costs of £0.5m associated with the Pivotal acquisition, compared with a prior year loss of £0.7 million. Revenue improved 21% to £41.9 million.

The core tools business contributed a very solid profit performance and progress was also achieved within the Lifting Point activity.

In July, Hire Station acquired the ESS Safety Services and Pivotal Training business from Babcock International Group plc. ESS offers a very similar range of rental, service and sales products to our own Safeforce activity. The businesses have been merged and, trading as ESS Safeforce, have a strong market position in a specialist field where regulatory pressure is a significant driver to growth. Following this acquisition, Lifting Point has been repositioned within the general tools rental business where it will benefit from cost synergies and greater market exposure, as we expand the number of locations offering lifting equipment.

Pivotal Performance provides a range of management development, health and safety and construction and operative skills training. Restructuring costs of £0.5 million were incurred in respect of rationalising and repositioning the Pivotal training business which now benefits from a more appropriate operating cost base.

The management of Hire Station is to be congratulated for their significant achievement in delivering this first stage in Hire Station's recovery.

## **TORRENT TRACKSIDE**

As we anticipated at the beginning of this financial year, a changing rail market and in particular the loss of the Network Rail plant maintenance contract did have a significant negative impact on revenues and profitability at Torrent. Revenues fell to £12.1 million (2005: £13.3 million) and profits reduced to £1.7 million (2005: £2.5 million).

Torrent has responded to the loss of this important contract through cost reduction and restructuring measures and has achieved useful success in replacing these lost volumes with new customer wins.

Supply chain relationships now appear to have stabilised, at least for the immediate term, and with a very significant repair and upgrade workload programme ahead, Torrent is cautiously optimistic regarding the current year.

## **TPA**

In November we acquired Trax Portable Access Limited (TPA) for an initial consideration of £11.5 million; further additional consideration of up to £7.9 million may be payable dependent on the financial performance of the company in each of the three years commencing 1 January 2006, 2007 and 2008.

TPA is a leading supplier of portable roadways, bridging, fencing and barrier systems to the power transmission, telecommunications, construction, defence and rail markets. TPA operates in the UK, with satellite activities in the Republic of Ireland, France and Germany.

TPA represents a new product area for the Group and will operate as a separate business unit led by the retained management team. TPA occupies the same strong market position and employs the same core skills of asset management that are common to all Vp businesses. We believe that TPA represents an ideal sixth business stream to supplement the Group's longer-standing businesses.

Trading performance in the initial period since acquisition encompassed the slow winter period and was below expectations with a reported loss of £0.3 million on revenues of £2.5 million.

Since the beginning of the new financial year activity has picked up significantly and we expect a satisfactory first full year contribution.

## **OUTLOOK**

This time last year the Board signalled its intention to utilise the financial strength of the Group more positively. We are pleased that in the period we have been able to deliver both organic growth and acquisition derived opportunities in support of our longer term growth aspirations.

The main challenge for us as we enter the new financial year is to deliver the promise offered by the businesses we acquired in 2005/2006, whilst of course not neglecting the continuing profit contribution from our existing businesses.

The economic and competitive environment, as always, presents a number of challenges but we are cautiously optimistic of our ability to deliver further progress in the year ahead.

**Jeremy Pilkington**  
**Chairman**  
**7 June 2006**



## OVERVIEW

The year ended 31 March 2006 has seen significant developments and acquisition activity in support of the continuing growth aspirations of the Group. In the year under review we have added a sixth division, TPA, acquired two market leading niche businesses, Dudley Vale and ESS (via the Pivotal acquisition), and latterly acquired Bukom Oilfield Services, doubling the size of our successful Airpac Oilfield Services activity.

Profits before tax grew to £10.7 million. This represents a 13% increase in profits before the £0.5 million restructuring charge arising from the Pivotal Group acquisition. Revenues grew by 10% to £99.4 million.

Net debt increased by £30.2 million to £32.6 million after taking into account total cash consideration and assumed debt in the acquisitions of £36.1 million. Gearing increased to 54% after gross capital expenditure of £18.1 million. Interest cover was 14.5 times (2005: 33.1 times).

Markets were generally supportive in oil and gas, housebuilding, and general construction, but the water and rail sectors provided a reduced level of demand for our services in the year.

## UK FORKS

*Rough terrain material handling equipment for industry, residential and general construction.*

Revenue	£14.3m	(2005: £12.8m)
Operating Profit	£2.1m	(2005: £1.4m)
Investment in Rental Fleet	£3.1m	(2005: £3.1m)

UK Forks produced excellent results in the year, profits increasing by 44% driven in part by an 11% improvement in revenue. The business continued to improve return on capital employed.

Revenue growth was sustained over the course of the year mainly driven by success with a number of national housebuilding and construction businesses. Whilst site activity was at healthy levels for the majority of the year, we did experience some slow down in the final quarter. We anticipate that growth in the current year will reflect a more muted market outlook.

In the housebuilding sector pressure increased on the supply chain to take cost out of the system creating an appetite for national supply agreements. It was in support of these requirements that UK Forks were able to provide their unique offering of telehandlers on a national basis. In addition, supply chain agreements were secured with a number of large general construction customers, particularly in the specialist areas of roofing and cladding.

Investment in the fleet was driven by the needs of the market. With the density of housebuilding sites increasing, developments are taller than ever before - flats and apartments now account for over 40% of domestic build. Whilst this led to a requirement for larger telehandlers it also meant that sites were tighter, fuelling the need for the more specialist rotational products. New fleet consequently covered all applications – the smallest being the 4 metre products designed for operating in height restricted areas with the largest being the versatile 25 metre rotational telehandler. The current range of over 1,200 machines therefore reflects an evolving market place where health and safety issues are ever more prevalent.

In the year ended 31 March 2006, UK Forks enjoyed the benefits of investing in long term relationships with key customers. This philosophy continues into the new year with further investment planned to consolidate our key customer support.

## GROUNDFORCE

*Engineered support systems and specialist products for the water, civil engineering and construction industries, incorporating Piletec Dudley Vale - pile driving and breaking; Stopper Specialists - pipe integrity testing; Survey Technology - surveying and water flow measurement.*

Revenue	£23.5m	(2005: £24.6m)
Operating Profit	£5.3m	(2005: £5.8m)
Investment in Rental Fleet	£2.2m	(2005: £2.5m)

Groundforce maintained its market leading position during the year but as anticipated, revenues were held back by the time delay in the water industry asset management programmes (AMP), the end of AMP3 and the commencement of AMP4. Revenues reduced by £1.1 million to £23.5 million and profits of £5.3 million were 9% down on prior year.

#### SHORING

The shoring business performed very satisfactorily in spite of the delay to AMP4. Revenue was also adversely impacted by the finalisation of our involvement in key construction contracts, such as Heathrow T5 and CTRL. Generation of revenue therefore relied on the traditional civil engineering and housing sectors, which remained buoyant. Overseas activity also contributed, with business enjoyed from Ireland, France and the USA.

The streamlining of the operational base that commenced in 2004 was substantially completed early in the year and the benefit was evident in the profit line. Automation of a number of operational processes ensured that the business further increased its efficiency. Ongoing projects continued to ensure that the fleet holding was optimised and aligned to future demand. New products were also introduced throughout the year as we continued to provide innovative solutions to our customer base.

We anticipate that more substantive demand will commence from AMP4 during the coming year and Groundforce Shorco is positioned to meet that demand which would deliver incremental revenue growth.

#### PILETEC DUDLEY VALE, STOPPERS AND SURVEY

Piletec's revenues were adversely affected by the lack of AMP4 work in particular, resulting in a quieter year. However, towards the end of the period, signs of improvement were evident and during that time, the business and assets of Dudley Vale, a competitor of Piletec, were acquired from GE Equipment Services to form Piletec Dudley Vale. The integration was substantially complete by the year end and the combined business is in excellent shape to benefit from the increase in demand from the water sector and the planned flood alleviation projects.

Stoppers performed to expectation and consolidated its business with a new location in the North which was profitable in its first year of operation.

Survey progressed throughout the year, finessing the revenue, rationalising the fleet holding and creating a central hire and sales desk, a concept well established in other Vp businesses. Towards the end of the year, the survey assets of Birse plc were acquired together with an ongoing rental agreement. The consolidated survey business is now well placed to grow organically with limited increase in the cost base.

#### AIRPAC BUKOM OILFIELD SERVICES

*Equipment and service providers to the international oil and gas exploration and development markets.*

Revenue	£5.0m	(2005: £4.5m)
Operating Profit	£1.2m	(2005: £1.1m)
Investment in Rental Fleet	£0.8m	(2005: £0.5m)

Airpac benefited from an active oilfield services sector across most of its markets and produced another very satisfactory result. Profits at £1.2 million were 10% ahead on improved revenue of £5.0 million, up 12%. This was an important year for Airpac with the acquisition of Bukom Oilfield Services in March 2006 for a consideration of £5.7 million. Bukom Oilfield Services, similar in size to Airpac, doubled the size of the division in a single step. The results incorporate three weeks' revenues of the expanded business, now renamed Airpac Bukom Oilfield Services.

The continued strength of the oil price encouraged ongoing healthy levels of global oil company spending. This in turn created high demand for oilfield support services with Airpac's equipment fleet well placed to benefit from serving a wide variety of oilfield segments and applications.

The well testing market in both the North Sea and Asia Pacific, where we provide operated air compressor and steam generator packages, was buoyed by high drilling rig utilisation in support of exploration and production activities. Our Singapore operation continued to expand its support to customers in this and other markets throughout the region.

Similarly, we enjoyed high demand for our specialist compressors from large contractors supporting repair, maintenance and modification works on the offshore platform infrastructure, particularly in the North Sea.

Bukom Oilfield Services has historically been focussed on supporting international well testing operations. Geographically this provides us with access into new markets in Africa, North and South America and the Middle East whilst at the same time strengthening our position in Asia Pacific. The business now has a truly international dimension supporting activities in more than 50 countries. The addition of new products to the fleet via the acquisition such as heat exchangers, sand filters and colflexip hoses enables us to provide wider package solutions for our well testing clients whilst complementing our existing air and steam offering to that market.

The fundamentals of our markets remain strong and with our expanded fleet capacity, geographic coverage and product range, combined with a much stronger international focus the business is well positioned to benefit from the many opportunities that the oil and gas market will offer.

## HIRE STATION

*Small tools and equipment for industry and construction, incorporating the specialist ESS Safeforce (safety and environmental products) and Lifting Point (material handling and lifting gear hire activities).*

Revenue	£41.9m	(2005: £34.8m)
Operating Profit*/(Loss)	£1.9m	(2005: £(0.7)m)
Investment in Rental Fleet	£7.3m	(2005: £5.7m)

\*before Pivotal Group restructuring costs

Hire Station, after a year of repositioning in 2005, delivered an excellent turnaround back to profit in the year.

Revenue grew by 21% including a part year contribution from the ESS acquisition. Encouragingly, organic revenue improved by almost 10%, buoyed by some strong key account wins.

## TOOL HIRE

The tools business has made solid progress and we have continued to invest in high demand core product rental assets through the branch network. The strong availability of these assets has been a key factor in growing the number of trading accounts.

We have also invested in our National Hire Desk in Manchester, which now transacts almost 40% of annual tool hire revenues. A significant number of our major customers deal through the central desk taking advantage of the streamlined call handling and administrative process.

The introduction of a real time extranet facility has given our customers the most up to date management information in the market place.

The product range was expanded during the year and amongst the many new products launched, Hire Station were first to market with two new products, "Towermatic" and "Pop Up Scissor", both manufactured in response to the new working at height regulations.

We enjoyed very successful trading with our seasonal products – heating and cooling revenues in particular were well up on prior year.

The introduction during the year of the new Hand Arm Vibration (HAV) regulations and erection guidelines on tower were welcomed by our business. Operationally, we responded quickly and in the case of alloy tower, we invested heavily in new components to ensure all branches could meet the new guidelines.

During the year, we have expanded the National Account sales team and plan to increase this further in 2006/7 on the back of some very positive results.

The specialist lifting business, Lifting Point, had an improved year and in November we added a further 13 satellite locations to the current network. These satellites supported by the main hubs offer the higher return and higher demand product lines. Plans are in place to extend this in the new financial year as we seek to build distribution across all tool locations.

Overall the business enters the new financial year in good shape with the restructuring of 2005 beginning to pay dividends and translating into real profit growth. We plan to add a further 8 to 10 locations to our branch network, which we believe will give us the optimum geographical infrastructure of c.80 branches for our service offering.

#### ESS SAFEFORCE

The specialist safety rental business Safeforce was boosted during the year through the acquisition of ESS Safety Services, (via the Pivotal Services acquisition), one of the longest established businesses in the safety equipment market. We rebranded the two businesses as ESS Safeforce which is now positioned as the market leading specialist rental, hire, sales and service business for safety equipment in the UK.

ESS Safeforce has adopted the successful Vp model of centralising transactions through a national hire desk based in Wellingborough, and is supported by a national distribution infrastructure. In addition to its strong asset base, ESS Safeforce also offers a range of confined space training courses to its national customer base. In the year ending 31 March 2006, around 20,000 delegates passed through its training venues.

The integration of the two safety businesses is now complete, and with the prospects for good demand for safety equipment particularly as AMP4 commences, ESS Safeforce is well placed to capitalise on any market upturn.

#### PIVOTAL PERFORMANCE

Following the acquisition of the Pivotal Group, the training business Pivotal Performance was significantly restructured to aid the elimination of losses which had plagued the business pre-acquisition. The division finished the year with a small trading loss before restructuring costs. The focus of the business going forward is on the delivery of behavioural safety training, management development and consultancy.

#### TORRENT TRACKSIDE

*Infrastructure equipment and services for the railway renewals and maintenance industry.*

Revenue	£12.1m	(2005: £13.3m)
Operating Profit	£1.7m	(2005: £2.5m)
Investment in Rental Fleet	£2.4m	(2005: £1.5m)

This has been a year of change and consolidation in the rail industry. However, Torrent has retained their number one status in the market of rail portable plant, assisted by considerable growth in London Underground activity. As anticipated activity levels dropped in the year with revenue reduced by 9% to £12.1 million and operating profits of £1.7 million, down £0.8 million on prior year.

Torrent is now established as a major support supplier for Network Rail's plant maintenance work, having lost out on the main plant supply contract. Although margins have been depressed this revenue stream has assisted in maintaining activity levels in a market where many suppliers have encountered considerable reductions in demand.

Our status as the major portable rail plant supplier has been further strengthened with the recent inclusion of additional specialist rail plant, broadening our product portfolio. These new products also offer additional revenue potential as they can be supplied with operators to increase reliability and customer productivity.

Torrent's compliance and IT standards have been taken to a new level during the year and whilst adding to our overheads, we see this support service as an important part of our offering, and highlighting our commitment to providing a quality service to all of our customers.

Network Rail is determined to increase punctuality, reliability and ride quality for passengers. Major contractors' workloads are already in place and we are well positioned in the new financial year to satisfy demand for top quality plant and associated services in support of this workload.

Whilst Torrent experienced a quieter year, this excellent business remains at the top of its market and is well positioned to remain a key supplier to the rail maintenance and renewal market in the future, notwithstanding our expectation of further volatility in the market going forward.

## **TPA**

*Portable roadways, fencing, barriers, bridges and pedestrian ground access systems to the events, rail, construction, telecommunications and power transmission markets.*

The acquisition of TPA in November 2005 marked the addition of a new division to Vp. A relatively young business and the fastest growing in its sector, we identified a rare opportunity to invest in a business of such quality. The revenue in the period since November was £2.5 million, delivering a small operating loss of £0.3 million. We have invested £1.1m in the rental fleet since acquisition. The winter represents their quietest trading period, and this was accentuated by a combination of exceptionally dry weather conditions and slow construction demand. We anticipate that the highly experienced management team will drive TPA to clear market leadership in the near term. The company's excellent commitment to customer service was underlined by TPA winning a prestigious Queens Award for Enterprise in the product innovation category during 2005.

Activity levels since the start of the new financial year have been very good and further significant investment in portable roadways and barriers has been made in support of this demand. TPA recently opened their new satellite depot in Scotland. Prospects for this business remain excellent.

## **PROSPECTS**

We are well placed as we enter the new financial year to capitalise on the potential created from the substantial investments made in the latter half of the year, and believe that the markets which we serve will be broadly supportive in the coming year. We remain focussed on delivering further growth and opportunities for further relevant expansion will be pursued as appropriate.

**Neil Stothard**  
**Group Managing Director**  
**7 June 2006**

This is the first year of reporting under International Financial Reporting Standards as adopted by the EU (adopted IFRSs) which came into effect for accounting periods commencing on or after 1 January 2005. All comparative figures have been restated under adopted IFRSs.

## SUMMARY OF RESULTS

Group revenues increased by 10% to £99.4m (2005: £90.0m). Underlying operating profits increased by 17% to £12.0m (2005: £10.2m) before one off costs of £0.5m associated with the restructuring of Pivotal. Acquisitions made during the year were neutral in terms of operating profit before the £0.5m restructuring costs. Profit before tax increased by 8% to £10.7m (2005: £9.9m).

The performances of the individual business units within the group are reported in note 2 to the financial statements.

## SHAREHOLDERS' RETURN

The key financial measures for the Board relating to shareholders' return are the growth of earnings per share and the return on average capital employed in the business.

Earnings per share increased from 16.31 pence to 17.49 pence, an increase of 7%, based on the weighted average number of shares in issue during the year of 43,460,053 (2005: 43,374,133). Underlying earnings per share increased 12% to 18.30 pence before one-off costs associated with the Pivotal acquisition.

Return on average capital employed is defined as profit before interest expressed as a percentage of the average total net assets and net debt (see below). The return on average capital employed was 15.4% (2005: 16.3%); the reduction being due to the timing of acquisitions.

The Board is recommending a final dividend of 4.65 pence per share making a total for the year (paid and proposed) of 6.60 pence (2005: 5.75 pence), an increase of 15%. The dividend relating to the year of 6.60 pence is covered 2.7 times (2005: 2.8 times) by profits after tax after making allowance for dividends waived by the Vp Employee Trust.

The net asset value per share at 31 March 2006 is 131 pence compared with 120 pence in the prior year.

## CASH FLOW

Free cash flow generated by the Group before acquisitions, dividends and treasury shares is summarised below:

	<b>2006</b>	2005
	<b>£m</b>	£m
Cash flow from operating activities	<b>22.6</b>	20.1
Capital expenditure	<b>(15.5)</b>	(15.1)
Sale of fixed assets	<b>6.2</b>	6.0
Interest	<b>(0.6)</b>	(0.3)
Tax	<b>(3.1)</b>	(3.3)
Free cash flow	<b><u>9.6</u></b>	<u>7.4</u>

Cash flow from operating activities represented 197% (2005: 197%) of operating profit.

Capital expenditure arising in the year totalled £18.1 million of which £16.9 million was on fleet assets, an increase of 26% on the previous year. Total investment in fleet assets including new operating lease commitments totalled £20.8m (2005: £15.0m). The sale of fixed assets largely relates to the routine disposal of fleet assets at the end of their useful lives to the Group and the invoicing of customer losses.

## NET DEBT AND INTEREST

Net debt comprised:	<b>2006</b>	2005
	<b>£m</b>	£m
Bank borrowings	<b>(33.5)</b>	(8.0)
Loan notes	<b>(1.0)</b>	(0.1)
HP/lease obligations	<b>(3.7)</b>	(0.1)
Cash	<b>5.6</b>	5.8
Net debt	<b><u>(32.6)</u></b>	<u>(2.4)</u>

The change in net debt is summarised below:

	<b>2006</b>	2005
	<b>£m</b>	£m
Opening net debt	<b>(2.4)</b>	(7.5)
Free cash flow	<b>9.6</b>	7.4
Acquisitions	<b>(36.1)</b>	(0.2)
Dividends	<b>(2.6)</b>	(2.2)
(Purchase)/sale of own shares	<b>(1.1)</b>	0.1
Closing net debt	<b><u>(32.6)</u></b>	<u>(2.4)</u>

The cash flow relating to acquisitions comprised:

	<b>2006</b>	2005
	<b>£m</b>	£m
Cost of acquisitions	<b>33.6</b>	0.2
Acquired net debt	<b>10.4</b>	-
Total cost	<b>44.0</b>	0.2
Less: contingent consideration	<b>(7.9)</b>	-
	<b><u>36.1</u></b>	<u>0.2</u>

As a result of the increase in net debt, gearing increased to 54% (2005: 4%). Since the year end £0.9m of the loan notes, issued as part of the consideration of TPA, have been repaid.

## ACQUISITIONS AND DISPOSALS

The Group made six acquisitions during the year. The most significant were the acquisitions of the entire share capital of Trax Portable Access Limited (TPA) and the four statutory entities that comprised Bukom Oilfield Services, together with the acquisition of the business and net assets of Pivotal Services (comprising ESS and Pivotal Performance) and Dudley Vale. The total cost of acquisitions was £44.0m including acquired debt of £10.4m and contingent consideration of £7.9m which is payable if specified earnings targets are met by TPA during the calendar years 2006, 2007 and 2008.

There were no business disposals during the year.

## TREASURY

The Group operates centralised treasury management over its financial risks within a strong control environment. The Group uses financial instruments to raise finance for its operations and to manage the related financial risks. There is neither speculation nor trading in derivative financial instruments and all funding is properly recognised on the balance sheet. The Board has approved the treasury policy and receives regular reports on compliance. The objectives of the Group's treasury policy are summarised below:

**To meet the liquidity requirements of the Group cost effectively.** The Group aims to minimise the level of surplus cash balances but, where these arise, tight controls apply to ensure that they are placed with a highly rated counterparty on short term deposit.

**To deliver the funding demands of the business at low cost.** The Group funding requirements are largely driven by acquisition activity and capital expenditure and met by centrally arranged debt finance. On 4 November 2005 the Group extended its bank borrowings and entered into a £35m, five year revolving credit facility and a £10m 364 day revolving credit facility and repaid a £8m three year term loan mid-term. At the year end bank borrowings net of cash totalled £27.9 million. The Group also has a £10m overdraft facility (2005: £7.5m).

**To develop and maintain strong and stable banking relationships.** The new bank loan facilities were entered into with two leading global banks, maintaining an existing relationship and developing a new one as part of the Group's natural progression and development.

**To provide reasonable protection against interest rate and foreign currency volatility.** Through the use of interest rate swaps, the Group maintains a broadly even mix of fixed and floating rate debt. In November 2005 the Company entered into interest rate swap agreements which fix the interest rate on £15.0m of the floating rate debt for a period of five years, with a bank only break option after three years. The counterparties to these agreements are the two lending banks. With the acquisition of the Bukom business, the Group's exposure to foreign currency has increased, but remains relatively modest. As this exposure increases, it is the intent of the Group to enter into appropriate forward rate agreements to hedge against changes in the US dollar exchange rate.

**To provide reasonable protection against share price volatility in managing share based payments.** The Group provides funding to the Vp Employee Trust to enable the purchase of treasury shares to fix the actual cash cost of share options during their vesting period. At 31 March 2006 Vp Employee Trust held 2,731,000 shares (2005: 2,588,000 shares) against an expected liability in terms of numbers of shares at that date of 3,014,000 (2005: 2,762,000). On a hedged basis against shares held by the Vp Employee Trust the cost of share options including social security costs for the year ended 31 March 2006 was £621,000 compared with £678,000 charged to the Income Statement under IFRS 2.

#### **TOTAL EQUITY**

Group total equity at the year end totalled £60.3m (2005: £55.4m), an increase of 8.8%. The goodwill relating to acquisitions made during the year totalled £24.7m together with £1.5m that has been attributed to acquired intangibles.

#### **DIVIDEND POLICY**

The Group operates a progressive dividend policy, with the objective of increasing dividends annually when justified by trading results and prospects.

#### **FINANCIAL CONTROLS**

The Group delegates day-to-day control to local management within agreed parameters. The Group has comprehensive control systems in place, with regular reporting to the Executive Directors.

The Internal Audit department reviews each accounting centre twice a year, and its findings are reported to the Audit Committee.

Further information regarding the Group's procedures to maintain strict controls over all aspects of risk, including financial risk, are set out in the Corporate Governance Report on pages 23 and 24.

#### **RISK AND UNCERTAINTIES**

The Group comprises six businesses serving different markets and manages the risks inherent to these activities. The key external risks include general economic conditions, competitor actions, the effect of legislation, credit risk and business continuity. Internal risks relate mainly to investment and controls failure risk. The Group seeks to mitigate exposure to all forms of risk where practicable and to transfer risk to insurers where cost effective. The diversified nature of the Group limits the exposure to external risks within particular markets. Exposure to credit risk in relation to customers, banks and insurers is managed through credit control practices. Business continuity plans exist for key operations and accounting centres. The Group is an active acquirer and acquisitions may involve risks that might materially affect the Group performance. These risks are mitigated by extensive due diligence and appropriate warranties and indemnities from the vendors.

#### **ACCOUNTING POLICIES**

The Group and parent company accounting policies have been changed, where appropriate, to comply with adopted IFRSs. The main changes relate to share based payments, pension accounting and the treatment of purchased goodwill and intangibles. Full details of the new policies are provided in note 1 to the Financial Statements.

#### **TAXATION**

The tax charge for the year represented an effective rate of 28.8% (2005: 28.5%) on the profit before tax. The underlying tax rate, excluding the release of over provisions from prior years, was 29.6% (2005: 31.0%). A detailed reconciliation of factors affecting the tax charge is shown in note 7 to the Financial Statements.

The Group seeks to build open relationships with tax authorities and advisors to bring about timely agreement on its tax affairs, and to remove uncertainty on business transactions. The Group's taxation strategy is to mitigate the burden of tax in a responsible manner.

**Mike Holt**  
**Group Finance Director**  
**7 June 2006**



The Directors of Vp plc present their annual report and the audited financial statements for the year ended 31 March 2006.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Group is equipment rental and associated services conducted mainly in the United Kingdom.

The statutory information required concerning the review of the development of the business and the current trading position is provided in the Chairman's Statement, the Business Review and the Financial Review.

## DIVIDEND

The Directors are proposing a final dividend of 4.65 pence (2005: 4.00 pence) per share. Subject to approval at the Annual General Meeting, shareholders will receive a total dividend for the year of 6.60 pence (2005: 5.75 pence) per share. This equates to a total dividend of £2,846,000 (2005: £2,488,000) net of waived dividends. As required under adopted IFRSs the dividends charged in the accounts do not include the proposed dividend, which is subject to approval at the AGM.

The final dividend will be paid to shareholders on the register of members of the Company on 8 September 2006 and it is proposed that dividend warrants be posted on 2 October 2006.

## DIRECTORS

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

**Jeremy Pilkington** (55) was appointed a Director of the Company in 1979 and was Chairman and Chief Executive between 1981 and 2004. Since July 2004 he has been Chairman of the Company. He is also Chairman of the Nomination Committee.

**Neil Stothard** (48) joined the Group as Group Finance Director in 1997. In July 2004 he was appointed Group Managing Director. He was previously Group Finance Director of Gray Dawes Group Limited, a business travel management company and prior to that, Divisional Finance Director of TDG plc.

**Mike Holt** (45) joined the Group as Group Finance Director in July 2004. From 1993 until joining Vp, he held a number of senior financial positions with Rolls-Royce Group plc within the UK and overseas.

**Barrie Cottingham** (72) was appointed a Non Executive Director in 1996. He was a senior partner at Coopers & Lybrand until his retirement in 1995 and was also Non Executive Chairman of SIG plc for 8 years until retiring in 2004. During the year he retired as Non Executive Chairman of Cattles plc, a position he held for 7 years, having been a Non Executive Director for a total of 11 years. He is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

**Peter Parkin** (60) was appointed a Non Executive Director in 1999. He is Chairman of Wheeldon Brothers Limited, a private house building company and had previously been Chairman and Chief Executive of Raine plc. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Neil Stothard and Mike Holt retire by rotation and being eligible, offer themselves for re-appointment. They both have service contracts with the Company, terminable by 12 months notice.

As Barrie Cottingham has been a Non Executive Director for over nine years he is required under the Combined Code to retire annually and being eligible offers himself for re-appointment. He does not have a service contract with the company, although he does have a letter of engagement.

There are three committees of the Board, these are:

Remuneration Committee

Peter Parkin – Chairman of the Committee  
Barrie Cottingham

Audit Committee

Barrie Cottingham - Chairman of the Committee  
Peter Parkin

Nomination Committee

Jeremy Pilkington – Chairman of the Committee  
Barrie Cottingham  
Peter Parkin

**DIRECTORS' INTERESTS**

The interests of each Director in the shares of Group companies are shown in the Remuneration Report on page 21.

**SUBSTANTIAL SHAREHOLDERS**

As at 7 June 2006 the following had notified the Company of an interest of 3% or more in the Company's issued ordinary share capital.

	Number of Ordinary Shares	Percentage of Issued Ordinary Shares %
Ackers P Investment Company Limited	23,684,876	51.28
JP Morgan Fleming Asset Management (UK) Limited	3,376,567	7.31
Vp Employee Trust	3,169,001	6.86
Britel Fund Trustees Limited	1,780,991	3.86

Jeremy Pilkington is a Director of Ackers P Investment Company Limited which is the holding company of Vp 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. This communication takes the form of comprehensive quarterly team briefings to all employees together with regular Group and divisional newsletters.

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

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The Group made no political contributions during the year. Donations to charities amounted to £28,452 (2005: £12,964). The donations made in the year include sponsorship of employee driven fund raising initiatives on behalf of local and national charities.

### **SUPPLIER PAYMENT POLICY**

It is the Company's policy to make payment to suppliers on our standard supplier terms unless alternative terms are agreed. The Company seeks to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The number of days purchases outstanding at 31 March 2006 was 62 days (2005: 56 days). This figure fluctuates dependent on the creditor position for fleet purchases at the year end.

### **ANNUAL GENERAL MEETING**

Resolutions are to be proposed as special business to enable the Directors 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. The resolution enabling Directors to continue to allot unissued shares will be limited to the allotment of shares up to a maximum nominal amount of £690,750 which represents 29.9% of the total ordinary share capital in issue at 7 June 2006. The Directors do not have any present intention of exercising such authority. The authority will expire on the date of the next Annual General Meeting after the passing of the proposed resolution. The resolution enabling the Directors to allot shares for cash other than to existing shareholders in proportion to their shareholdings will be limited to the allotment of shares up to a maximum nominal amount of £115,000 which represents 5% of the total ordinary share capital in issue at 7 June 2006. 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 ("Guidelines").

A resolution is also to be proposed to authorise the Company to purchase its own shares, subject to certain specific limits. This resolution is in accordance with the Guidelines. The Directors do not have any present intention of exercising such powers. The maximum and minimum prices that may be paid for an Ordinary Share in exercise of such powers is set out at Resolution 10(b) and 10(c) of the Notice of Meeting on page 66. The Directors undertake to shareholders that they will not exercise the ability to purchase the Company's own shares unless to do so would result in an increase in earnings per share and would be in the best interest of shareholders generally.

### **GOING CONCERN**

As at 31 March 2006 the Group has net debt including finance leases of £32.6m. Further details of the net debt and the Group's finance facilities are provided in the Financial Review on pages 13 to 15. After making enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis has been adopted in the preparation of the accounts.

### **AUDITORS**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the Company.

### **By Order of the Board**

**Mike Holt**  
**Company Secretary**  
**7 June 2006**

This report sets out the Group's policy on the remuneration of Directors and provides information on Directors' remuneration for the year ended 31 March 2006. The sections on Directors' remuneration, pensions, share options and the long term incentive plan have been audited, the remaining sections are not subject to audit. A resolution will be put to shareholders at the Company's Annual General Meeting to approve this report.

## REMUNERATION POLICY

### Overview

In framing its remuneration policy, the Board has complied with Schedule B of the Combined Code.

The primary role of the Remuneration Committee is to determine, on behalf of the Board, 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 membership of this committee is set out in the Directors' Report on page 17. The policy currently applied and to be applied in future years in setting remuneration is described below.

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 package consists of a number of elements: basic salary, annual performance related bonus, share options, long term incentive plan, contributions to a pension scheme and benefits in kind. In determining the performance related incentive plans the Committee is mindful of the balance between performance and non-performance related remuneration. The remuneration of the Non Executive Directors is set by the full board with each Director abstaining from voting on his own remuneration.

In relation to service contracts it is the Committee's policy that no Executive Director should have a contract with a notice period of more than twelve months.

### Annual performance related bonus

The Executive Directors are entitled to an annual bonus based on achievement of Group profit targets. The maximum bonus payable is capped at 50% of the Executive Director's basic salary. The actual bonuses accrued for 2005/6 are set out in the table on page 20.

### Long-term incentive plan

Under the rules of the long-term incentive plan, Executive Directors and senior management may be awarded rights to acquire shares at no cost. Each award is subject to performance conditions over a three year period. Awards up to June 2003 are subject to the achievement of a minimum compounded growth in earnings per share of 10% over a three year period, return on capital employed of between 12% and 16% and a share price greater than the net asset value per share at the end of the three year period. Since June 2003 the awards are conditional upon the achievement of growth in earnings per share over a three year period and a minimum return on capital of 12% at the end of the three year period. No awards are made if the compounded growth in earnings per share is less than 10% and the maximum award is achieved for 20% growth in earnings per share.

### Share option schemes

Under the Approved and Unapproved share option schemes, certain Executive Directors and employees of the Group are granted rights to acquire shares at a pre-determined price, which cannot be less than the higher of the mid-market price on the dealing day immediately before the date of the award and the nominal value of the shares. The awards are conditional upon the achievement of growth in earnings per share over a three year period and a minimum return on capital of 12% at the end of the three year period. No awards are made if the compounded growth in earnings per share is less than 10% and the maximum award is achieved for 15% growth in earnings per share.

### Share matching scheme

Under the share matching scheme, certain Executive Directors and senior management of the Group are granted rights to acquire shares at nil cost in proportion to the number of shares purchased from their own funds at the time of the grant. Awards are subject to the same performance conditions as the Approved and Unapproved share option schemes.

### Save as you earn scheme

Under the terms of the SAYE scheme invitations are made to all eligible employees. Options are granted at a discount of up to 20% of the mid-market price immediately prior to invitation. At 31 March 2006 there were 255 employees (2005: 215) participating in the scheme.

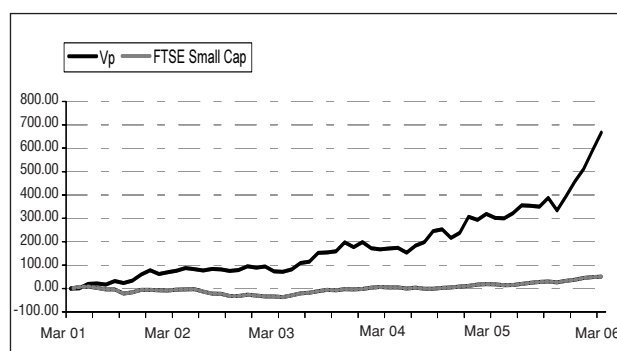
### Benefits in kind

For each Executive Director these comprise a contribution to a pension scheme, a car allowance, private health insurance and permanent health insurance.

### TOTAL SHAREHOLDER RETURN

The graph opposite charts the total cumulative shareholder return of the group for the 5 years to 31 March 2006 as compared to the Small Cap index, which is regarded as an appropriate benchmark for the Group's shareholders.

Total shareholder return is defined as the total return a shareholder would receive over the period inclusive of both share price growth and dividends.



### SERVICE CONTRACTS

In accordance with the Group's policy, Executive Directors have service contracts which are terminable by the Company on twelve months notice. The contracts of Jeremy Pilkington and Neil Stothard are dated 10 June 2002 and the contract of Mike Holt is dated 15 June 2004.

The Non Executive Directors do not have service contracts, however they do have letters of engagement terminable on three months notice, based on an initial period of one to two years, renewable for a maximum of two further periods of either two or three years or more if regarded in the best interests of the Company. The dates of these letters are 1 March 1996 for Barrie Cottingham and 18 November 1999 for Peter Parkin.

### DIRECTORS' REMUNERATION (audited)

The details of the remuneration of Directors for the year ended 31 March 2006 are set out below:

	Salary/Fees £000	Bonus £000	Benefits £000	<b>Total £000</b>	2005 £000
Jeremy Pilkington	260	57	35	<b>352</b>	317
Neil Stothard	190	42	20	<b>252</b>	214
Mike Holt	132	29	15	<b>176</b>	142
Barrie Cottingham	25	-	-	<b>25</b>	25
Peter Parkin	25	-	-	<b>25</b>	25
	<u>632</u>	<u>128</u>	<u>70</u>	<b><u>830</u></b>	<u>723</u>

### PENSIONS (audited)

Jeremy Pilkington is a member of the Vp 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 one thirtieth of final pensionable salary, up to a maximum of two thirds, which includes annual bonuses (in accordance with the Scheme rules), but not long-term incentive plans. The Remuneration Committee is mindful of Schedule B (Parts 1 and 2) of the Combined Code relating to pension contributions. These current arrangements form part of an existing employment contract and the provisions of the Code, subject to legal obligations, will be reflected in any future arrangements.

In addition, Jeremy Pilkington benefits from a long-standing contractual entitlement to retire at any time after the age of 50 without actuarial reduction of pension. However, he has indicated to the Group in writing that he has no present intention of retiring before the age of 57 at the earliest. The present value cost of funding on this basis is estimated at approximately £1,316,000. This sum is being provided for over the relevant period.

The details of Jeremy Pilkington's benefits are as follows:

Accrued benefit at 31 March 2006	Increase in accrued benefit	Increase in accrued benefit allowing for inflation	Transfer value of increase in accrued benefit	Transfer value of accrued benefit at 1 April 2005	Transfer value of accrued benefit at 31 March 2006	Increase in transfer value
£	£	£	£	£	£	£
177,979	26,567	22,478	340,000	1,902,000	2,551,000	649,000

The Company made the following contributions to Directors' money purchase or personal pension plans.

	2006 £	2005 £
Neil Stothard	19,000	16,250
Mike Holt	13,200	8,923
	<b>32,200</b>	<b>25,173</b>

## DIRECTORS' INTERESTS

### Shareholdings

The beneficial interests of Directors serving at the end of the year and their families, in the ordinary share capital of the Company are set out below:

	31 March 2006	1 April 2005
Jeremy Pilkington	2,530	2,530
Neil Stothard	80,188	65,983
Mike Holt	15,840	10,840
Barrie Cottingham	35,000	35,000
Peter Parkin	67,500	67,500

During the year Jeremy Pilkington was interested in 23,684,876 shares registered in the name of Ackers P Investment Company Limited. Ackers P Investment Company Limited is a company controlled by a number of trusts with which, for the purposes of Section 346 of the Companies Act 1985, Jeremy Pilkington is deemed to be a connected person.

### Share Options (audited)

Two Directors have share options and these are set out below:

Scheme	No. of share holdings at 1 April 2005	Granted	Exercised	Lapsed in year	No of share holdings at 31 March 2006	Option price
<b>Neil Stothard</b>						
2002 SAYE Scheme	5,205	-	(5,205)	-	-	73p
2003 SAYE Scheme	4,352	-	-	-	4,352	85p
2004 SAYE Scheme	1,713	-	-	-	1,713	110p
2005 SAYE Scheme	-	2,296	-	-	2,296	165p
Approved Share Option Scheme	35,425	-	-	-	35,425	57p
<b>Mike Holt</b>						
2004 SAYE Scheme	3,427	-	-	-	3,427	110p
2005 SAYE Scheme	-	1,148	-	-	1,148	165p
Approved Share Option Scheme	21,000	-	-	-	21,000	145.5p

**Share Matching Scheme (audited)**

Options held under the Share Matching Scheme were:

	<b>1 April 2005</b>	<b>Granted in year</b>	<b>31 March 2006</b>
Neil Stothard	10,000	9,000	19,000
Mike Holt	7,000	5,000	12,000

**Long-term Incentive Plan (audited)**

Ordinary shares outstanding under the terms of the Long-term Incentive Plan were:

	<b>At 1 April 2005</b>	<b>Granted in year</b>	<b>Lapsed in year</b>	<b>At 31 March 2006</b>	<b>Vested shares within total</b>	<b>Vested in year</b>
Jeremy Pilkington*	490,850*	130,000*	-	620,850*	170,850*	100,000*
Neil Stothard	614,400	130,000	-	744,400	294,400	100,000
Mike Holt	100,000	66,000	-	166,000	-	-

\*The shares outstanding in respect of Jeremy Pilkington are notional shares which would be satisfied by a cash payment.

The vesting of the outstanding awards at 31 March 2006 is subject to the achievement of performance criteria over the relevant three year periods up to the year ended 31 March 2008.

Details of the market value of shares at the year end and the highest and lowest market values in the financial year are provided in note 21 to the Financial Statements. The share price on the date the awards were made in the year was 201.5p.

There were no changes in the interests of the Directors between 31 March 2006 and 7 June 2006.

On behalf of the Board

**Mike Holt**  
**Company Secretary**  
**7 June 2006**

The Board is accountable to the Company's shareholders for good governance and is committed to high standards of corporate governance throughout the Group. This statement describes how the principles identified in the Combined Code on Corporate Governance, as revised in July 2003 (the Code), are applied by the Company.

The Board confirms that throughout the year ended 31 March 2006 the Company has been in compliance with all of the provisions of the Code.

## DIRECTORS

The Board consists of three Executive Directors and two Non Executive Directors, both of whom are considered by the Board to be independent. The Chairman is an Executive Director. Barrie Cottingham is the senior independent Non Executive Director. The biographies of the Board members shown on page 16 indicate the high level and broad range of experience which the Board possesses.

Appropriate training for new and existing Directors is kept under review and provided where necessary.

## THE BOARD

The role of the Board is to maximise the long-term performance of the Group through the implementation of strategies designed to enhance shareholder value. The Board reviews strategy on a regular basis and exercises control over the performance of each operating company within the Group by agreeing budgetary targets and monitoring performance against those targets.

The roles of the Chairman and Group Managing Director are separate and clearly defined. The Chairman runs the Board and sets the strategic agenda for the Company. The Group Managing Director is responsible for the operational management of the Group's business.

The Board has five scheduled meetings each year and additional meetings are held as required. The Board has a schedule of matters reserved for its approval, including major capital expenditure, significant investments or disposals and treasury policy. In certain areas, specific responsibility is delegated to committees of the Board within defined terms of reference.

The Audit Committee has two scheduled meetings each year and the Remuneration and Nomination Committees each have one, with additional meetings held as required.

During the year, all Directors attended the six Board meetings that were held. All of the members of the respective committees attended the two Audit Committee meetings and the one Remuneration Committee meeting held during the year.

The membership of the Committees appears on page 17. Copies of the terms of reference of the Audit, Remuneration and Nominations Committees are available on the Company's web site at [www.vplc.com](http://www.vplc.com).

There is an agreed procedure for Directors to take independent professional advice at the Company's expense if deemed necessary for the correct performance of their duties. The Company Secretary is charged by the Board with ensuring that Board procedures are followed.

During the year, the Board conducted a formal and rigorous evaluation of its performance and that of its committees and the Chairman. The evaluation was undertaken using a questionnaire prepared for the Board by Equity Culture, an independent consultant, which drew on its experience of good practice across a range of listed companies. Issues arising were summarised by the Chairman and discussed by the Board as a whole. As a result the Board feels that there are no major issues requiring change, however areas of potential improvement have been identified and will be addressed during the coming year.

To enable the Board to function effectively and assist Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including latest available management accounts, regular business progress reports and discussion documents regarding specific matters. In addition, senior managers are regularly invited to Board meetings and make business presentations to the Board. The evaluation of Board performance concluded that the level of information made available to the Board was of appropriate quality and provided on a timely basis.

Any Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. The articles also require that at least a third of Directors should retire and seek re-election each year. Neil Stothard and Mike Holt shall retire by rotation and seek re-election by shareholders at the next Annual General Meeting. In addition Barrie Cottingham having served over nine years as a Non Executive Director shall annually retire and offer himself for re-election by shareholders at the next Annual General Meeting in accordance with the Code (A.7.2). The Board continues to regard Barrie Cottingham as independent and values his contribution to the Company.

Full details of Directors' remuneration and a statement of the Company's remuneration policy are set out in the Remuneration Report appearing on pages 19 to 22. Each Executive Director abstains from any discussion or voting at full Board meetings on the recommendation of the Remuneration Committee which have a direct bearing on his own remuneration package. Each Executive Director's individual package is set by the Remuneration Committee in line with the policy adopted by the full Board.



## COMMUNICATION WITH STAKEHOLDERS

The Company places a great deal of importance on communication with its stakeholders.

There is regular dialogue with individual institutional shareholders as well as general presentations following the interim and preliminary results. All Company announcements are published on the web site and the Investor Centre includes presentation material and other information useful to shareholders.

The Board regards the discussion of the Company's strategy as primarily part of the role of the Group Managing Director and this forms part of his regular meetings with institutional shareholders. Feedback from these meetings is provided to the Board, both by the Group Managing Director and Group Finance Director and by the Company's financial public relations advisors. The Board also regularly receives copies of analysts' reports on the Company.

The Chairman is available to shareholders at any time to discuss strategy and governance matters. While the Non Executive Directors do not ordinarily attend meetings with major shareholders, they are available if requested by shareholders.

All shareholders have the opportunity to ask questions at the Company's Annual General Meeting, at which all Directors are available to take questions.

As discussed in the Directors' Report, employee communication is given high priority.

## GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts (see also page 18).

## AUDIT

The primary role of the Audit Committee is to keep under review the Group's financial and other systems and controls and its financial reporting procedures. In fulfilling this role, the Committee receives and reviews work carried out by the internal and external auditors. The Company's internal audit department works to an annual programme developed in consultation with the Committee, as well as covering specific matters arising during the year.

The Audit Committee's terms of reference have been updated to reflect the requirements of the Code.

The Committee keeps the scope and cost effectiveness of both the internal and external audit functions under review. This includes a regular review of the effectiveness of the external auditor.

The independence and objectivity of the external auditor is also considered on a regular basis, with particular regard to the level of non-audit fees. The split between audit and non-audit fees for the year to 31 March 2006 and information on the nature of the non-audit fees incurred appear in note 3 to the Financial Statements. The non-audit fees which were paid in respect of taxation, due diligence and other advice are considered by the Committee not to affect the independence or objectivity of the auditors. The external auditor's appointment is subject to regular review by the Committee and the lead audit partner is rotated at least every five years. The Committee also maintains a formal policy on the provision of non-audit services by the auditor, which is reviewed each year. This policy prohibits the provision of certain services and requires that others are subject to prior approval by the Committee or its Chairman. All other permitted non-audit services are considered on a case by case basis.

The Committee is provided with information on all non-audit services provided by the auditor and the estimated cost of such services. The Committee monitors such costs in the context of the audit fee for the year in order to ensure that the value of non-audit services does not increase to a level where it has the potential to affect the auditor's objectivity and independence.

The Committee also receives an annual confirmation of independence from the auditor.

## INTERNAL CONTROL

Throughout the year, the Group has been in full compliance with the applicable provisions on internal control contained in the Code.

The Board has overall responsibility for the Group's system of internal controls and risk management and the Audit Committee reviews and monitors the system's effectiveness on behalf of the Board at least annually. The responsibility for the system rests with the Executive Directors. The system includes an ongoing process for identifying, evaluating and managing significant business risks. However, any system can provide only reasonable and not absolute assurance of meeting internal control objectives.

The Audit Committee reports on its assessment to the Board, so that the Board can reach its own informed view on control effectiveness. The Board confirms that it has reviewed the significant risks affecting the Group and has reviewed the effectiveness of the system of internal controls in place during the year ended 31 March 2006 and through to the date of this report.

The Statement of the Directors' Responsibilities in relation to the accounts appears on page 27.

The Group is very aware of its corporate and social responsibilities. We therefore give careful consideration to areas such as:

- Employment
- Health and Safety
- The Environment
- The Community

In considering these areas we not only take account of the most recent legislation and best practice in each area, but also consider the wider picture or individual circumstances where appropriate.

### **EMPLOYMENT**

We recognise that people are one of our key assets and a very important factor in our success. It is therefore vital that we treat them with respect and ensure that proper account is taken of any issues or concerns they may have. Our employment practices, which are summarised below, take this into account.

The Group is an equal opportunity employer and therefore is committed to providing the same level of opportunity to all, regardless of creed, colour, sex, disability or sexual orientation.

Our policies and procedures are reviewed regularly and our line managers are kept up to date with changes to employment legislation. Our policies are applied fairly and consistently with the aim of making the Group an employer who maintains a good relationship with its employees and encourages them to balance work requirements with both social and family needs.

We recognise the importance of attracting talented people to our business. Our recruitment processes are rigorous and competency based. Our aim is to recruit the best.

Retaining talented people is vital to our continued success. We therefore have an extensive training programme that commences with a detailed induction programme and moves on to cover all the technical skills that our employees require to carry out their roles. Management development programmes are run for all individuals new to management roles and we actively encourage and sponsor individuals to develop themselves through further education programmes. Throughout this process we try to ensure that our people fulfil their potential to the benefit of both the individual and the Group.

The Group has an established whistle blowing policy and employees are free to voice concerns on a confidential basis through the Human Resources Director to ultimately the Chairman, or the Non Executive Directors, if the Chairman is personally involved.

### **HEALTH AND SAFETY**

All Group sites operate in accordance with the Group's Health and Safety and Environmental policies and procedures. These policies and procedures are designed to ensure that the health and safety of all our employees and customers and anyone else who is affected by our activities is appropriately safeguarded.

Furthermore, the Group is committed to developing a culture where all employees pay appropriate attention to health and safety risks to ensure that accidents and dangerous occurrences are prevented wherever possible. To this end the following actions are taken:

- Health and safety training is provided as appropriate and forms part of the induction process for all new employees.
- Health and safety is a standing agenda item at all Board meetings.
- Health and safety issues are reported, if appropriate, within the monthly divisional board reports.

In addition to these internal activities all Group locations are subject to regular health and safety audits by an independent company with appropriate reporting at both local and Group level. The same company also provides independent advice on health and safety issues and new legislation.

During the year a programme of risk assessment and training was undertaken for drivers of company vehicles. A total of 356 drivers were assessed during the year and additional training and/or coaching provided as necessary. The effectiveness of such assessments and training will be kept under review and modified as necessary.

### **ENVIRONMENT**

We are very aware of the potential risks which our operations may cause to the environment. It is the Group's policy to ensure so far as is reasonably practicable and within the scope of current best practice that our operations are carried out in such a manner so as to minimise any adverse impact of our activities on the environment.

In order to comply with this policy the Group Health and Safety and Environmental Policy and Procedures Manual sets out the environmental responsibilities for all levels of management in the Group.

This includes items such as:

- Full compliance with all current legislation.
- Ensuring all waste is stored securely and disposed of via appropriately registered waste disposal companies.
- Ensuring that fuel, oil or any other waste products are not allowed into surface water drains or allowed to contaminate land or ground water.

During the coming year the Group will be embarking on a comprehensive carbon audit of its activities with a view to identifying environmental impact mitigation opportunities.

### **COMMUNITY**

We recognise that in addition to the economic benefits our trading activity brings, we have a wider social responsibility. As such we actively support both local and national charities. During the year ended 31 March 2006 we donated over £28,000 to charities. This included support to employees participating in fund raising activities.

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

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and have elected to prepare the Parent Company Financial Statements on the same basis.

The Group and Parent Company Financial Statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Parent Company 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VP PLC**

We have audited the Group and Parent Company Financial Statements (the "Financial Statements") of Vp plc for the year ended 31 March 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense, and the related notes. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 27.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Business Review and Financial Review that is cross referenced from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

## **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and Company'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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

**OPINION**

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2006 and of its profit for the year then ended;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2006;
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Financial Statements.

**KPMG Audit Plc**  
**Chartered Accountants**  
**Registered Auditor**  
**Leeds**  
**7 June 2006**

**for the Year Ended 31 March 2006**

<b>Continuing Operations</b>	Notes	<b>2006 £000</b>	2005 £000
<b>Revenue</b>	2	<b>99,396</b>	90,044
Cost of sales		<b>(72,092)</b>	(64,551)
<b>Gross profit</b>		<b>27,304</b>	25,493
Administrative expenses		<b>(15,842)</b>	(15,297)
<b>Operating profit</b>	2, 3	<b>11,462</b>	10,196
Financial income	6	<b>188</b>	135
Financial expenses	6	<b>(978)</b>	(443)
<b>Profit before taxation</b>		<b>10,672</b>	9,888
Income tax expense	7	<b>(3,070)</b>	(2,815)
<b>Net profit for the year</b>		<b><u>7,602</u></b>	<u>7,073</u>
Earnings per 5p ordinary share	20	<b>17.49p</b>	16.31p
Diluted earnings per 5p ordinary share	20	<b>16.83p</b>	15.79p
Dividend per 5p ordinary share paid and proposed	19	<b>6.60p</b>	5.75p

All profits for the year are attributable to equity holders of the parent.

**Consolidated Statement of Recognised Income and Expense for the Year Ended 31 March 2006**

	Note	<b>2006</b> <b>£000</b>	2005 £000
Actuarial gains/(losses) on defined benefit pension scheme	24	<b>231</b>	(1,310)
Tax on items taken directly to equity		<b>(67)</b>	393
Effective portion of changes in fair value of cash flow hedges		<b>(89)</b>	-
Foreign exchange translation difference		-	4
Net income/(expense) recognised direct to equity		<b>75</b>	(913)
Profit for the year		<b>7,602</b>	7,073
Total recognised income and expense for the year		<b><u>7,677</u></b>	<u>6,160</u>

Total recognised income and expense for the year is all attributable to equity holders of the parent.

**Parent Company Statement of Recognised Income and Expense for the Year Ended 31 March 2006**

	Note	<b>2006</b> <b>£000</b>	2005 £000
Actuarial gains/(losses) on defined benefit pension scheme	24	<b>231</b>	(1,310)
Tax on items taken directly to equity		<b>(67)</b>	393
Effective portion of changes in fair value of cash flow hedges		<b>(89)</b>	-
Net income/(expense) recognised direct to equity		<b>75</b>	(917)
Profit for the year		<b>5,621</b>	9,810
Total recognised income and expense for the year		<b><u>5,696</u></b>	<u>8,893</u>



at 31 March 2006

	Note	2006 £000	2005 £000
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>66,054</b>	48,676
Intangible assets	9	<b>33,637</b>	7,468
<b>Total non-current assets</b>		<b>99,691</b>	56,144
<b>Current assets</b>			
Inventories	11	<b>3,119</b>	2,136
Income tax receivable		<b>34</b>	140
Trade and other receivables	12	<b>28,177</b>	21,929
Cash and cash equivalents	13	<b>5,587</b>	5,755
<b>Total current assets</b>		<b>36,917</b>	29,960
<b>Total assets</b>		<b>136,608</b>	86,104
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	14	<b>(2,148)</b>	(159)
Income tax payable		<b>(1,235)</b>	(1,628)
Trade and other payables	16	<b>(21,793)</b>	(13,925)
<b>Total current liabilities</b>		<b>(25,176)</b>	(15,712)
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	14	<b>(36,062)</b>	(8,033)
Employee benefits	24	<b>(2,894)</b>	(3,916)
Other payables	16	<b>(7,930)</b>	-
Deferred tax liabilities	17	<b>(4,223)</b>	(3,013)
<b>Total non-current liabilities</b>		<b>(51,109)</b>	(14,962)
<b>Total liabilities</b>		<b>(76,285)</b>	(30,674)
<b>Net assets</b>		<b>60,323</b>	55,430
<b>Equity</b>			
Issued share capital	18	<b>2,309</b>	2,309
Share premium	18	<b>16,192</b>	16,192
Hedging reserve	18	<b>(89)</b>	-
Retained earnings	18	<b>41,884</b>	36,902
<b>Total equity attributable to equity holders of the parent</b>		<b>60,296</b>	55,403
<b>Minority interest</b>	18	<b>27</b>	27
<b>Total equity</b>		<b>60,323</b>	55,430

These financial statements were approved by the Board of Directors on 7 June 2006 and were signed on its behalf by:

J F G Pilkington  
Chairman

M J Holt  
Director

**P A R E N T  
B A L A N C E**

**C O M P A N Y  
S H E E T**

**at 31 March 2006**

	Note	<b>2006</b>	2005
		<b>£000</b>	£000
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>35,602</b>	30,984
Intangible assets	9	<b>4,784</b>	3,171
Investments in subsidiaries	10	<b>37,471</b>	12,019
<b>Total non-current assets</b>		<b><u>77,857</u></b>	<u>46,174</u>
<b>Current assets</b>			
Inventories	11	<b>1,311</b>	676
Income tax receivable		<b>34</b>	34
Trade and other receivables	12	<b>39,968</b>	30,558
Cash and cash equivalents	13	<b>3,626</b>	4,300
<b>Total current assets</b>		<b><u>44,939</u></b>	<u>35,568</u>
<b>Total assets</b>		<b><u>122,796</u></b>	<u>81,742</u>
<b>Current liabilities</b>			
Bank overdraft	13	-	(84)
Interest-bearing loans and borrowings	14	<b>(955)</b>	(159)
Income tax payable		<b>(959)</b>	(1,290)
Trade and other payables	16	<b>(25,692)</b>	(20,288)
<b>Total current liabilities</b>		<b><u>(27,606)</u></b>	<u>(21,821)</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	14	<b>(33,570)</b>	(8,033)
Employee benefits	24	<b>(2,894)</b>	(3,916)
Other payables	16	<b>(7,930)</b>	-
Deferred tax liabilities	17	<b>(2,515)</b>	(2,603)
<b>Total non-current liabilities</b>		<b><u>(46,909)</u></b>	<u>(14,552)</u>
<b>Total liabilities</b>		<b><u>(74,515)</u></b>	<u>(36,373)</u>
<b>Net assets</b>		<b><u>48,281</u></b>	<u>45,369</u>
<b>Equity</b>			
Issued share capital	18	<b>2,309</b>	2,309
Share premium	18	<b>16,192</b>	16,192
Hedging reserve	18	<b>(89)</b>	-
Retained earnings	18	<b>29,869</b>	26,868
<b>Total equity</b>		<b><u>48,281</u></b>	<u>45,369</u>

These financial statements were approved by the Board of Directors on 7 June 2006 and were signed on its behalf by:

**J F G Pilkington**  
Chairman

**M J Holt**  
Director

for the Year Ended 31 March 2006

	Note	2006 £000	2005 £000
<b>Cash flows from operating activities</b>			
Profit before taxation		10,672	9,888
Adjustments for:			
Pension fund contributions in excess of service cost		(791)	12
Share based payment charges		292	206
Depreciation	8	12,224	11,045
Amortisation of intangibles	9	4	-
Financial expense		978	443
Financial income		(188)	(135)
Profit on sale of plant and equipment		(2,275)	(1,190)
<b>Operating profit before changes in working capital and provisions</b>		<b>20,916</b>	20,269
Increase in inventories		(559)	(94)
Increase in trade and other receivables		(579)	(251)
Increase in trade and other payables		2,832	207
<b>Cash generated from operations</b>		<b>22,610</b>	20,131
Interest paid		(710)	(479)
Interest element of finance lease rental payments		(111)	(6)
Interest received		188	135
Income taxes paid		(3,120)	(3,277)
<b>Net cash from operating activities</b>		<b>18,857</b>	16,504
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		6,181	5,957
Purchase of property, plant and equipment		(15,506)	(15,145)
Acquisition of businesses and subsidiaries (net of cash and overdrafts)	25	(28,955)	(204)
<b>Net cash from investing activities</b>		<b>(38,280)</b>	(9,392)
<b>Cash flows from financing activities</b>			
(Purchase)/sale of own shares by Employee Trust		(1,073)	153
Repayment of borrowings		(8,000)	(111)
Repayment of loan notes		(125)	(120)
New loans		33,500	-
Payment of finance lease liabilities		(2,475)	(156)
Dividend paid	19	(2,572)	(2,214)
<b>Net cash from financing activities</b>		<b>19,255</b>	(2,448)
Net (decrease)/increase in cash and cash equivalents		(168)	4,664
Cash and cash equivalents as at the beginning of the year		5,755	1,087
Effect of exchange rate fluctuations on cash held		-	4
<b>Cash and cash equivalents as at the end of the year</b>	13	<b>5,587</b>	5,755

**P A R E N T  
S T A T E M E N T O F**

**C O M P A N Y  
C A S H F L O W S**

**for the Year Ended 31 March 2006**

	Note	<b>2006</b>	2005
		<b>£000</b>	£000
<b>Cash flows from operating activities</b>			
Profit before taxation		<b>7,897</b>	12,025
Adjustments for:			
Pension fund contributions in excess of service cost		<b>(791)</b>	12
Share based payment charges		<b>292</b>	206
Depreciation	8	<b>5,780</b>	5,346
Amortisation of intangibles	9	<b>4</b>	-
Financial expense		<b>868</b>	440
Financial income		<b>(237)</b>	(135)
Dividend received from subsidiary		-	(4,000)
Profit on sale of plant and equipment		<b>(1,140)</b>	(874)
<b>Operating profit before changes in working capital and provisions</b>		<b>12,673</b>	13,020
Increase in inventories		<b>(520)</b>	(222)
Increase in trade and other receivables		<b>(9,410)</b>	(3,779)
Increase in trade and other payables		<b>5,775</b>	1,333
<b>Cash generated from operations</b>		<b>8,518</b>	10,352
Interest paid		<b>(702)</b>	(476)
Interest element of finance lease rental payments		<b>(9)</b>	(6)
Interest received		<b>237</b>	135
Income taxes paid		<b>(2,494)</b>	(2,486)
<b>Net cash from operating activities</b>		<b>5,550</b>	7,519
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		<b>2,800</b>	3,211
Purchase of property, plant and equipment		<b>(10,076)</b>	(7,398)
Acquisition of businesses (net of cash and overdrafts)	25	<b>(4,030)</b>	56
Acquisition of subsidiaries		<b>(16,511)</b>	-
Dividend received from subsidiary		-	4,000
<b>Net cash from investing activities</b>		<b>(27,817)</b>	(131)
<b>Cash flow from financing activities</b>			
(Purchase)/sale of own shares by Employee Trust		<b>(1,073)</b>	153
Repayment of borrowings		<b>(8,000)</b>	-
Repayment of loan notes		<b>(125)</b>	(120)
New loans		<b>33,500</b>	-
Payment of finance lease liabilities		<b>(53)</b>	(146)
Dividend paid	19	<b>(2,572)</b>	(2,214)
<b>Net cash from financing activities</b>		<b>21,677</b>	(2,327)
Net (decrease)/increase in cash and cash equivalents		<b>(590)</b>	5,061
Cash and cash equivalents as at the beginning of the year		<b>4,216</b>	(845)
<b>Cash and cash equivalents as at the end of the year</b>	13	<b>3,626</b>	4,216

**(forming part of the financial statements)**

## **1. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

Vp plc is a company incorporated in Great Britain. These consolidated Financial Statements of Vp plc for the year ended 31 March 2006, consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company Financial Statements present information about the Company as a separate entity and not about the Group.

Both the Parent Company Financial Statements and the Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. In publishing the Parent Company Financial Statements here together with the Group Financial Statements, the Company has taken advantage of the exemptions in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form part of these approved Financial Statements.

Both the Group and the Company have prepared their Financial Statements in accordance with IFRSs as adopted for use in the EU for the first time and consequently both have applied IFRS 1.

An explanation of how the transition to adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group and the Company is reported in note 29.

### **Basis of preparation**

The Financial Statements are presented in sterling, rounded to the nearest thousand. They are prepared on the historic cost basis except that derivative financial instruments are stated at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements and in preparing an opening IFRS balance sheet at 1 April 2004 for the purposes of the transition to adopted IFRSs.

The Group has adopted early the amendment to IAS19 in these Financial Statements.

### **Basis of consolidation**

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

### **Investments**

In the Company's Financial Statements, investments in subsidiary undertakings are stated at cost less impairment. Dividends received and receivable from post acquisition profit are credited to the Company's Income Statement to the extent that they represent a realised profit for the Company.

### **Intangible assets and goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of businesses and subsidiaries as detailed below.

In respect of business acquisitions that have occurred since 1 April 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from contractual or legal rights regardless of whether those rights are separable.

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to business units and is not amortised.

Amortisation of identified intangibles is charged to the Income Statement on a straight line basis over the estimated useful lives of these assets unless their lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful life of a supply agreement is the duration of that agreement. Amortisation is charged against cost of sales in the Income Statement.

## Dividends

Dividends are recognised as a liability in the period in which they are declared.

## Share Based Payments

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

The fair values are calculated using an appropriate option pricing model. The Group's Approved, Unapproved and Save As You Earn (SAYE) schemes have been valued using the Black-Scholes model and the Income Statement charge is adjusted to reflect the expected number of options that will vest, based on expected levels of performance against non-market based conditions and the expected number of employees leaving the Group. The fair values of the Group's Long Term Incentive Plan (LTIP) and Share Matching options are calculated using a discounted grant price model again adjusted for expected performance against non-market based conditions and employees leaving the Group.

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

The Group has chosen to adopt the exemption permitted by IFRS 1 whereby, for equity settled options, IFRS 2 is only applied to options granted after 7 November 2002 that had not vested at 1 January 2005.

## Treasury shares

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

## Property, plant and equipment

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

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

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

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

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

No depreciation is provided on freehold land.

## Foreign currencies

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

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

### **Operating leases**

Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease.

### **Derivative financial instruments**

Interest rate swaps are accounted for in the balance sheet at fair value and any movement in fair value is taken to the Income Statement, unless the transaction is designated as an effective hedge of the variability in cash flows (a cash flow hedge) in which case it is accounted for in accordance with the following:

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

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

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

### **Employee benefits (pensions)**

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

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

The Group's net obligation is recorded as a balance sheet liability and the actuarial gains and losses associated with this liability are recognised in the Statement of Recognised Income and Expense as they arise. All cumulative actuarial gains and losses at 1 April 2004, the date of transition to adopted IFRSs, were recognised directly in equity. Actuarial gains and losses occur when actuarial assumptions including expected returns on scheme assets differ from those previously envisaged by the actuary.

When the benefits of the plan are improved the proportion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Income Statement.

The full service cost of the pension scheme is charged to operating profit. The finance cost of liabilities and expected returns on assets are included within administrative expenses in the Income Statement.

### **Trade and other receivables**

Trade and other receivables are stated at their amortised cost less impairment losses.

### **Cash and cash equivalents**

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

### **Inventories**

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

### **Impairment**

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is

recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised through the Income Statement. For goodwill and assets that have an indefinite useful life the recoverable amount is tested at each balance sheet date.

### Taxation

The charge for taxation is based on the results for the year and takes into account full provision for deferred taxation due to temporary differences between the carrying value of an asset or liability and its tax base.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

### Financial guarantee contracts

The company has not adopted amendments to IAS 39 and IFRS 4 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2006.

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

The company does not expect the amendments to have any impact on the financial statements for the period commencing 1 April 2006.

### Revenue

Revenue represents the amounts (excluding Value Added Tax) derived from the provision of goods and services to third party customers during the year. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date.

## 2. SEGMENT REPORTING

Segment reporting is presented in respect of the Group's business and geographical segments. The primary reporting segments are the Group's six business units. Details of these are set out on page 1. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### Geographical segments

Revenue is mainly within the United Kingdom, but in the year included £1,823,000 (2005: £977,000) of revenue with the rest of the world. All Group revenue originates from the United Kingdom. All material assets and liabilities of the Group are accounted for by UK based companies.

### Business Segments

	Revenue						Operating Profit	
	External Revenue £000	2006 Internal Revenue £000	Total Revenue £000	External Revenue £000	2005 Internal Revenue £000	Total Revenue £000	2006 £000	2005 £000
Groundforce	23,542	-	23,542	24,629	-	24,629	5,258	5,766
UK Forks	14,307	350	14,657	12,843	200	13,043	2,071	1,438
Airpac Bukom	4,997	-	4,997	4,480	-	4,480	1,242	1,131
Hire Station	41,937	300	42,237	34,787	200	34,987	1,433	(650)
Torrent Trackside	12,134	-	12,134	13,305	-	13,305	1,733	2,511
TPA	2,479	-	2,479	-	-	-	(275)	-
	<b>99,396</b>	<b>650</b>	<b>100,046</b>	<b>90,044</b>	<b>400</b>	<b>90,444</b>	<b>11,462</b>	<b>10,196</b>



## 2. SEGMENT REPORTING (continued)

### Business Segments

	Assets		Liabilities		Net Assets	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Groundforce	22,842	18,565	5,138	5,268	17,704	13,297
UK Forks	15,504	15,683	2,492	4,164	13,012	11,519
Airpac Bukom	14,615	4,542	2,288	1,233	12,327	3,309
Hire Station	37,630	29,410	8,397	5,571	29,233	23,839
Torrent Trackside	7,949	8,486	3,268	2,722	4,681	5,764
TPA	29,510	-	14,752	-	14,758	-
Group/unallocated	8,558	9,418	39,950	11,716	(31,392)	(2,298)
	<b>136,608</b>	<b>86,104</b>	<b>76,285</b>	<b>30,674</b>	<b>60,323</b>	<b>55,430</b>

	Acquired Assets		Capital Expenditure		Depreciation and Amortisation	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Groundforce	3,915	-	2,496	3,184	2,313	2,389
UK Forks	-	-	3,189	3,170	2,416	1,994
Airpac Bukom	7,897	-	766	550	757	671
Hire Station	3,103	236	7,934	5,961	4,531	4,158
Torrent Trackside	-	-	2,429	1,606	1,485	1,541
TPA	26,537	-	1,154	-	428	-
Group/unallocated	-	-	171	258	298	292
	<b>41,452</b>	<b>236</b>	<b>18,139</b>	<b>14,729</b>	<b>12,228</b>	<b>11,045</b>

Acquired assets relate to non-current assets acquired as a result of acquisitions, including intangible assets and goodwill. Capital expenditure relates to tangible fixed assets acquired in the normal course of business.

### 3. OPERATING PROFIT

	2006 £000	2005 £000
<b>Operating profit is stated after charging/(crediting):</b>		
Amortisation of intangible assets	4	-
Depreciation of tangible fixed assets – owned	11,956	10,959
– leased	268	86
Rent of land and buildings	2,595	2,103
Hire of other assets	9,479	9,437
Profit on sale of tangible assets	(2,275)	(1,190)
Restructuring costs relating to the Pivotal acquisition	497	-
Amounts paid to KPMG:		
Audit fees – parent	60	47
– other group companies	55	37
– total group	115	84
Tax – compliance and advisory	46	41
Other assurance and advice	49	-

In addition £140,000 (2005: £43,000) was paid to Group auditors and their associates in relation to acquisitions and is included in cost of investments and goodwill capitalised.

#### 4. PERSONNEL EXPENSES

##### Group

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

	Number of employees	
	2006	2005
Operations	852	755
Sales	192	192
Administration	165	137
	<u>1,209</u>	<u>1,084</u>

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£000	£000
Wages and salaries	29,342	24,614
Social security costs	2,885	2,398
Defined benefit pension costs	285	199
Other pension related costs	699	579
Share option costs including associated social security costs - equity settled	455	315
- cash settled	223	255
	<u>33,889</u>	<u>28,360</u>

##### Company

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

	Number of employees	
	2006	2005
Operations	273	273
Sales	75	70
Administration	67	69
	<u>415</u>	<u>412</u>

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£000	£000
Wages and salaries	11,131	10,700
Social security costs	1,141	1,107
Defined benefit pension costs	285	199
Other pension related costs	548	452
Share option costs including associated social security costs - equity settled	455	315
- cash settled	223	255
	<u>13,783</u>	<u>13,028</u>

#### 5. REMUNERATION OF DIRECTORS

The Group's key management are the Executive and Non-Executive Directors. The aggregate remuneration paid to or accrued for the Directors for services in all capacities during the period is as follows:

	2006	2005
	£000	£000
Basic remuneration including benefits	830	723
Pension contributions	117	92
	<u>947</u>	<u>815</u>

One Director (2005: One) has retirement benefits accruing under the Company's defined benefit pension scheme.

Further details of Directors' remuneration are given in the Remuneration Report on pages 19 to 22.

## 6. FINANCIAL INCOME AND EXPENSES

	<b>2006</b>	2005
	<b>£000</b>	£000
Financial expenses:		
On bank loans and overdrafts	<b>(815)</b>	(433)
Finance charges payable in respect of finance lease and hire purchase contracts	<b>(111)</b>	(6)
Other	<b>(52)</b>	(4)
	<b><u>(978)</u></b>	<u>(443)</u>
Financial income:		
Bank and other interest receivable	<b><u>188</u></b>	<u>135</u>

## 7. INCOME TAX EXPENSE

	<b>2006</b>	2005
	<b>£000</b>	£000
<b>Current tax expense</b>		
UK Corporation tax charge at 30% (2005: 30%)	<b>2,389</b>	3,385
Overseas tax	<b>97</b>	-
UK adjustments relating to earlier years	<b>(131)</b>	(244)
Total current tax	<b><u>2,355</u></b>	<u>3,141</u>
<b>Deferred tax expense</b>		
Current year deferred tax	<b>678</b>	(322)
Adjustments to deferred tax relating to earlier years	<b>37</b>	(4)
Total deferred tax	<b><u>715</u></b>	<u>(326)</u>
<b>Total tax expense in income statement</b>	<b><u>3,070</u></b>	<u>2,815</u>

## Reconciliation of effective tax rate

	<b>2006</b>	<b>2006</b>	2005	2005
	<b>%</b>	<b>£000</b>	%	£000
Profit on ordinary activities before tax		<b><u>10,672</u></b>		<u>9,888</u>
Profit on ordinary activities multiplied by standard rate of corporation tax (30%)	<b>30.0</b>	<b>3,202</b>	30.0	2,966
Effects of:				
Expenses not deductible for tax purposes	<b>1.0</b>	<b>103</b>	0.8	80
Non-qualifying depreciation	<b>3.9</b>	<b>416</b>	1.4	142
Share scheme adjustments	<b>(2.4)</b>	<b>(257)</b>	0.0	-
Gains covered by exemption/losses	<b>(1.1)</b>	<b>(116)</b>	(1.2)	(125)
Overseas tax rate	<b>(1.7)</b>	<b>(184)</b>	0.0	-
Adjustments to tax charge in respect of previous years	<b>(0.9)</b>	<b>(94)</b>	(2.5)	(248)
Total tax charge for year	<b><u>28.8</u></b>	<b><u>3,070</u></b>	<u>28.5</u>	<u>2,815</u>

## Deferred tax recognised directly through equity

	<b>2006</b>	2005
	<b>£000</b>	£000
Relating to share based payments	<b>(489)</b>	(241)
Relating to actuarial loss on defined benefit pension scheme	<b>67</b>	(393)
	<b><u>(422)</u></b>	<u>(634)</u>

## 8. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and Buildings £000	Rental Equipment £000	Motor Vehicles £000	Other Assets £000	Total £000
<b>Cost or deemed cost</b>					
At 1 April 2004	9,052	73,014	1,489	6,757	90,312
Additions	557	13,397	52	723	14,729
Acquisitions	-	202	-	-	202
Disposals	(287)	(9,896)	(626)	(694)	(11,503)
At 31 March 2005	9,322	76,717	915	6,786	93,740
Additions	231	16,889	43	976	18,139
Acquisitions	467	14,704	885	1,105	17,161
Disposals	(476)	(11,744)	(249)	(1,594)	(14,063)
At 31 March 2006	9,544	96,566	1,594	7,273	114,977
<b>Depreciation and impairment losses</b>					
At 1 April 2004	2,452	32,732	1,044	4,527	40,755
Charge for year	504	9,495	199	847	11,045
On disposals	(93)	(5,520)	(494)	(629)	(6,736)
At 31 March 2005	2,863	36,707	749	4,745	45,064
Charge for year	518	10,367	181	1,158	12,224
On acquisitions	20	1,231	244	297	1,792
On disposals	(454)	(7,928)	(206)	(1,569)	(10,157)
At 31 March 2006	2,947	40,377	968	4,631	48,923
<b>Carrying amount</b>					
<b>At 31 March 2006</b>	<b>6,597</b>	<b>56,189</b>	<b>626</b>	<b>2,642</b>	<b>66,054</b>
At 31 March 2005	6,459	40,010	166	2,041	48,676
At 31 March 2004	6,600	40,282	445	2,230	49,557

COMPANY	Land and Buildings £000	Rental Equipment £000	Motor Vehicles £000	Other Assets £000	Total £000
<b>Cost or deemed cost</b>					
At 1 April 2004	6,598	42,579	663	3,670	53,510
Additions	412	6,236	48	466	7,162
Disposals	(263)	(4,592)	(138)	(606)	(5,599)
At 31 March 2005	6,747	44,223	573	3,530	55,073
Additions	117	6,104	40	359	6,620
Group transfer	-	3,113	-	27	3,140
Acquisitions	242	2,014	21	21	2,298
Disposals	-	(4,821)	(23)	-	(4,844)
At 31 March 2006	7,106	50,633	611	3,937	62,287
<b>Depreciation and impairment losses</b>					
At 1 April 2004	1,504	17,306	385	2,810	22,005
Charge for year	151	4,714	101	380	5,346
On disposals	(69)	(2,537)	(50)	(606)	(3,262)
At 31 March 2005	1,586	19,483	436	2,584	24,089
Charge for year	183	5,100	90	407	5,780
On disposals	-	(3,168)	(16)	-	(3,184)
At 31 March 2006	1,769	21,415	510	2,991	26,685
<b>Carrying amount</b>					
<b>At 31 March 2006</b>	<b>5,337</b>	<b>29,218</b>	<b>101</b>	<b>946</b>	<b>35,602</b>
At 31 March 2005	5,161	24,740	137	946	30,984
At 31 March 2004	5,094	25,273	278	860	31,505

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

The cost or deemed cost of land and buildings for the Group and the Company includes £2,243,000 (2005: £2,243,000) of freehold land not subject to depreciation.

Included in the total net book value of fixed assets of the Group is £4,594,000 (2005: £115,000) in respect of assets held under finance leases and similar hire purchase contracts, Company £13,000 (2005: £115,000). The leased equipment secures lease obligations (see note 14). Depreciation for the year on these Group assets was £268,000 (2005: £86,000) and £67,000 (2005: £86,000) for the Company.

## 9. INTANGIBLE ASSETS

### GROUP

	<b>Trade Name £000</b>	<b>Supply Agreement £000</b>	<b>Goodwill £000</b>	<b>Total £000</b>
<b>Cost or deemed cost</b>				
At 1 April 2004	-	-	7,434	7,434
Acquired through business combinations	-	-	34	34
At 31 March 2005	-	-	7,468	7,468
Acquired through business combinations	1,400	72	24,701	26,173
At 31 March 2006	<u>1,400</u>	<u>72</u>	<u>32,169</u>	<u>33,641</u>
<b>Accumulated amortisation</b>				
At 1 April 2004 and 31 March 2005	-	-	-	-
Amortisation charge	-	4	-	4
At 31 March 2006	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
<b>Carrying amount</b>				
<b>At 31 March 2006</b>	<b><u>1,400</u></b>	<b><u>68</u></b>	<b><u>32,169</u></b>	<b><u>33,637</u></b>
At 31 March 2005	<u>-</u>	<u>-</u>	7,468	7,468
At 31 March 2004	<u>-</u>	<u>-</u>	7,434	7,434

An indefinite useful life has been determined for the Trade Name on the basis that it is expected to be maintained indefinitely and is expected to continue to drive value for the Group.

On an annual basis or more frequently if there is an indication that the assets are impaired, the Directors test the carrying amount of goodwill and indefinite life intangibles for impairment. The carrying amount of intangibles and goodwill has been tested for impairment based on its value in use using cash flow projections over 5 years. These projections have been derived from the approved budget for the coming year. The discount rate applied was 8.5% being the estimated weighted average cost of capital. A growth rate factor was not applied to the projections as value in use exceeded the carrying amounts before any such assumption was applied. Based on this testing the Directors do not consider goodwill or indefinite life intangibles to be impaired.

## 9. INTANGIBLE ASSETS (continued)

### COMPANY

	Specific Customer Contracts £000	Goodwill £000	Total £000
<b>Cost or deemed cost</b>			
At 1 April 2004 and 31 March 2005	-	3,171	3,171
Acquired through business combinations	72	1,545	1,617
At 31 March 2006	<u>72</u>	<u>4,716</u>	<u>4,788</u>
<b>Accumulated amortisation</b>			
At 1 April 2004 and 31 March 2005	-	-	-
Amortisation charge	4	-	4
At 31 March 2006	<u>4</u>	<u>-</u>	<u>4</u>
<b>Carrying amount</b>			
<b>At 31 March 2006</b>	<b><u>68</u></b>	<b><u>4,716</u></b>	<b><u>4,784</u></b>
At 31 March 2005	-	3,171	3,171
At 31 March 2004	-	3,171	3,171

The Directors have reviewed the carrying amount of the Company's goodwill on the same basis as the Group's goodwill and concluded that no impairment charge is required.

## 10. INVESTMENTS IN SUBSIDIARIES

<b>Cost</b>	<b>£000</b>
At 1 April 2004 and 31 March 2005	13,706
Acquisitions	25,452
At 31 March 2006	<u>39,158</u>
<b>Impairment</b>	
At 1 April 2004, 31 March 2005 and 31 March 2006	<u>1,687</u>
<b>Carrying amount</b>	
<b>At 31 March 2006</b>	<b><u>37,471</u></b>
At 31 March 2004 and 31 March 2005	<u>12,019</u>

The significant investments in subsidiary undertakings are:

	Country of Registration or Incorporation	Principal Activity	Country of Principal Operation	Class and Percentage of Shares Held
Torrent Trackside Limited	England	Rail Equipment Hire	UK	Ordinary shares 100%
Hire Station Limited	England	Tool Hire	UK	Ordinary shares 100%
Trax Portable Access Limited	England	Hire of portable roadways	UK	Ordinary shares 100%

## 11. INVENTORIES

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Raw materials and consumables	1,106	493	605	388
Finished goods and goods for resale	2,013	1,643	706	288
	<u>3,119</u>	<u>2,136</u>	<u>1,311</u>	<u>676</u>

## 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Trade receivables	25,559	20,634	10,358	8,584
Amounts owed by subsidiary undertakings	-	-	28,541	21,489
Other receivables	753	31	223	-
Prepayments and accrued income	1,865	1,264	846	485
	<u>28,177</u>	<u>21,929</u>	<u>39,968</u>	<u>30,558</u>

## 13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Bank balances	2,487	1,455	526	-
Call deposits	3,100	4,300	3,100	4,300
Cash and cash equivalents	<u>5,587</u>	<u>5,755</u>	<u>3,626</u>	<u>4,300</u>
Bank overdrafts	-	-	-	(84)
Net cash and cash equivalents in the statement of cash flows	<u>5,587</u>	<u>5,755</u>	<u>3,626</u>	<u>4,216</u>

During the year the rate of interest received on cash deposits was in the range of 4.3% to 4.8%.

## 14. INTEREST-BEARING LOANS AND BORROWINGS

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
<b>Current liabilities</b>				
Obligations under finance leases and hire purchase contracts	1,207	34	14	34
Loan notes	941	125	941	125
	<u>2,148</u>	<u>159</u>	<u>955</u>	<u>159</u>
<b>Non-current liabilities</b>				
Secured bank loans	33,500	8,000	33,500	8,000
Obligations under finance leases and hire purchase contracts	2,492	33	-	33
Loan notes	70	-	70	-
	<u>36,062</u>	<u>8,033</u>	<u>33,570</u>	<u>8,033</u>

The Group's bank accounts are subject to set off arrangements covered by cross guarantees and, where appropriate, are presented accordingly. The bank loans and overdraft are secured by a fixed and floating charge over the assets of the Group and are at variable interest rates linked to LIBOR. The unutilised bank facility available to the Group is £21,500,000. There is no material difference between the carrying value and fair value of the Group's borrowings. Further details relating to the Group's funding strategy and its credit, interest rate and currency risk is provided in the Financial Review on pages 13 to 15.

In November 2005 the Group entered into an interest rate swap agreement which fixed the LIBOR element of the interest rate at 4.7% for £15,000,000 of the bank debt for a period of 5 years with a bank only break option after 3 years (note 15).

The repayment schedule of the carrying amount of the non-current liabilities as at 31 March 2006 is set out on page 47:

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

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
<b>Due in more than one year but not more than two years:</b>				
Secured bank loans	-	8,000	-	8,000
Obligations under finance leases and hire purchase contracts	946	33	-	33
Loan notes	70	-	70	-
	<u>1,016</u>	<u>8,033</u>	<u>70</u>	<u>8,033</u>
<b>Due in more than two years but not more than five years:</b>				
Secured bank loans	33,500	-	33,500	-
Obligations under finance leases and hire purchase contracts	1,546	-	-	-
	<u>35,046</u>	<u>-</u>	<u>33,500</u>	<u>-</u>
<b>Total</b>	<u>36,062</u>	<u>8,033</u>	<u>33,570</u>	<u>8,033</u>

#### Hire Purchase and Finance Lease Liabilities

GROUP						
	Payment 2006 £000	Interest 2006 £000	Principal 2006 £000	Payment 2005 £000	Interest 2005 £000	Principal 2005 £000
Payable:						
Less than one year	1,367	(160)	1,207	39	(5)	34
Between one and five years	2,744	(252)	2,492	38	(5)	33
	<u>4,111</u>	<u>(412)</u>	<u>3,699</u>	<u>77</u>	<u>(10)</u>	<u>67</u>

The average effective interest rate on hire purchase obligations was 6.4% and the effective interest rate on the loan notes was 4.5%.

#### 15. FINANCIAL INSTRUMENTS

The Group has an interest rate swap which is held for hedging purposes in order to reduce the risk of exposure to changes in interest rates on the Group's secured bank loans. The swap taken out in November 2005 is an effective cash flow hedge and the movement in fair value has been taken to equity. The prior year swap was not deemed effective and the movement in fair value was taken to the Income Statement.

At 31 March 2006 the notional contract amount was £15,000,000 (2005: £4,000,000) and the fair value of the swap was a liability of £89,000 (2005: £9,000). The cash flows are expected to occur during the remaining life of the swap.

There are no material differences between the carrying value and the fair value of the group's other financial instruments. The risks associated with interest rate management are discussed in the Financial Review on pages 13 to 15 as are the risks relating to credit and currency management.

#### 16. TRADE AND OTHER PAYABLES

Current liabilities	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Trade payables	12,529	8,180	4,983	4,317
Amounts owed by subsidiary undertakings	-	-	16,738	13,858
Other taxes and social security	2,194	1,651	923	888
Other payables	864	186	104	9
Accruals and deferred income	6,206	3,908	2,944	1,216
	<u>21,793</u>	<u>13,925</u>	<u>25,692</u>	<u>20,288</u>



## 16. TRADE AND OTHER PAYABLES (continued)

Non-current liabilities	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Contingent consideration	<u>7,930</u>	-	<u>7,930</u>	-

Contingent consideration relates to the acquisition of Trax Portable Access Limited (see note 25).

## 17. DEFERRED TAX ASSETS AND LIABILITIES

### GROUP

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Property, plant and equipment	-	-	6,157	4,968	6,157	4,968
Intangible assets	-	-	427	7	427	7
Employee benefits	(1,968)	(1,591)	-	-	(1,968)	(1,591)
Other items	(393)	(371)	-	-	(393)	(371)
Tax (assets)/liabilities	(2,361)	(1,962)	6,584	4,975	4,223	3,013
Set off of tax	2,361	1,962	(2,361)	(1,962)	-	-
Net tax liabilities	<u>-</u>	<u>-</u>	<u>4,223</u>	<u>3,013</u>	<u>4,223</u>	<u>3,013</u>

### COMPANY

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Property, plant and equipment	-	-	4,745	4,531	4,745	4,531
Intangible assets	-	-	7	7	7	7
Employee benefits	(1,968)	(1,591)	-	-	(1,968)	(1,591)
Other items	(269)	(344)	-	-	(269)	(344)
Tax (assets)/liabilities	(2,237)	(1,935)	4,752	4,538	2,515	2,603
Set off of tax	2,237	1,935	(2,237)	(1,935)	-	-
Net tax liabilities	<u>-</u>	<u>-</u>	<u>2,515</u>	<u>2,603</u>	<u>2,515</u>	<u>2,603</u>

The movements on the net deferred tax liability are shown below:

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Balance at beginning of year	3,013	3,973	2,603	3,532
Charge/(credit) to Income Statement	715	(326)	334	(295)
Credit to equity	(422)	(634)	(422)	(634)
Acquisitions	917	-	-	-
Balance at end of year	<u>4,223</u>	<u>3,013</u>	<u>2,515</u>	<u>2,603</u>

## 18. CAPITAL AND RESERVES

GROUP	Share Capital £000	Share Premium £000	Hedging Reserve £000	Retained Earnings £000	Minority Interest £000	Total Equity £000
<b>Balance as at 1 April 2004</b>	2,309	16,192	-	32,368	27	<b>50,896</b>
Total recognised income and expense	-	-	-	6,160	-	<b>6,160</b>
Tax movement on equity	-	-	-	241	-	<b>241</b>
Share option charge in the year	-	-	-	206	-	<b>206</b>
Gains/(losses) on share disposals	-	-	-	(12)	-	<b>(12)</b>
Net movement in shares held by Vp Employee Trust at cost	-	-	-	153	-	<b>153</b>
Dividends to equity holders of the parent	-	-	-	(2,214)	-	<b>(2,214)</b>
<b>Balance as at 31 March 2005</b>	<u>2,309</u>	<u>16,192</u>	<u>-</u>	<u>36,902</u>	<u>27</u>	<b><u>55,430</u></b>
<b>Balance as at 1 April 2005</b>	2,309	16,192	-	36,902	27	<b>55,430</b>
Total recognised income and expense	-	-	(89)	7,766	-	<b>7,677</b>
Tax movement on equity	-	-	-	489	-	<b>489</b>
Share option charge in the year	-	-	-	292	-	<b>292</b>
Gains/(losses) on share disposals	-	-	-	80	-	<b>80</b>
Net movement in shares held by Vp Employee Trust at cost	-	-	-	(1,073)	-	<b>(1,073)</b>
Dividends to equity holders of the parent	-	-	-	(2,572)	-	<b>(2,572)</b>
<b>Balance as at 31 March 2006</b>	<u>2,309</u>	<u>16,192</u>	<u>(89)</u>	<u>41,884</u>	<u>27</u>	<b><u>60,323</u></b>
<b>COMPANY</b>	<b>Share Capital £000</b>	<b>Share Premium £000</b>	<b>Hedging Reserve £000</b>	<b>Retained Earnings £000</b>	<b>Total Equity £000</b>	<b>Total Equity £000</b>
<b>Balance as at 1 April 2004</b>	2,309	16,192	-	19,601	-	<b>38,102</b>
Total recognised income and expense	-	-	-	8,893	-	<b>8,893</b>
Tax movement on equity	-	-	-	241	-	<b>241</b>
Share option charge in the year	-	-	-	206	-	<b>206</b>
Gains/(losses) on share disposals	-	-	-	(12)	-	<b>(12)</b>
Net movement in shares held by Vp Employee Trust at cost	-	-	-	153	-	<b>153</b>
Dividends to equity holders	-	-	-	(2,214)	-	<b>(2,214)</b>
<b>Balance as at 31 March 2005</b>	<u>2,309</u>	<u>16,192</u>	<u>-</u>	<u>26,868</u>	<u>-</u>	<b><u>45,369</u></b>
<b>Balance as at 1 April 2005</b>	2,309	16,192	-	26,868	-	<b>45,369</b>
Total recognised income and expense	-	-	(89)	5,785	-	<b>5,696</b>
Tax movement on equity	-	-	-	489	-	<b>489</b>
Share option charge in the year	-	-	-	292	-	<b>292</b>
Gains/(losses) on share disposals	-	-	-	80	-	<b>80</b>
Net movement in shares held by Vp Employee Trust at cost	-	-	-	(1,073)	-	<b>(1,073)</b>
Dividends to equity holders	-	-	-	(2,572)	-	<b>(2,572)</b>
<b>Balance as at 31 March 2006</b>	<u>2,309</u>	<u>16,192</u>	<u>(89)</u>	<u>29,869</u>	<u>-</u>	<b><u>48,281</u></b>

For the Group, exchange differences related to foreign operations are not material and have therefore not been disclosed as a separate component of equity.

### Own shares held

Deducted from retained earnings (Group and Company) is £3,428,000 (2005: £2,355,000) in respect of own shares held by the Vp Employee Trust. The Trust acts as a repository of issued Company shares and held 2,731,000 shares (2005: 2,588,000 shares) with a market value at 31 March 2006 of £9,395,000 (2005: £4,801,000).

## 18. CAPITAL AND RESERVES (continued)

<b>Ordinary share capital</b>	<b>2006</b>	2005
	<b>£000</b>	£000
<b>Authorised</b>		
60,000,000 Ordinary shares of 5 pence each	<b>3,000</b>	<u>3,000</u>
<b>Allotted, called up and fully paid</b>		
46,185,000 Ordinary shares of 5 pence each (2005: 46,185,000)	<b>2,309</b>	<u>2,309</u>

## 19. DIVIDENDS

	<b>2006</b>	2005
	<b>£000</b>	£000
Amounts recognised as distributions to equity holders of the parent in the year:		
Ordinary shares:		
Final paid 4.00p (2005: 3.40p) per share	<b>1,726</b>	1,452
Interim paid 1.95p (2005: 1.75p) per share	<b>846</b>	762
	<b>2,572</b>	<u>2,214</u>

This year's dividend paid is after dividends were waived to the value of £176,000 (2005: £165,000) in relation to shares held by the Vp Employee Trust. These dividends will continue to be waived in the future.

In addition the Directors are proposing a final dividend in respect of the current year of 4.65p per share which will absorb an estimated £2,000,000 of shareholders' funds. The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## 20. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share at 31 March 2006 was based on the profit attributable to equity holders of the parent of £7,602,000 (2005: £7,073,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2006 of 43,460,053 (2005: 43,374,133), calculated as follows:

### Weighted average number of ordinary shares

	<b>2006</b>	2005
	<b>Shares</b>	Shares
	<b>000's</b>	000's
Issued ordinary shares	<b>46,185</b>	46,185
Effect of own shares held	<b>(2,725)</b>	(2,811)
Weighted average number of ordinary shares	<b>43,460</b>	<u>43,374</u>

### Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2006 was based on profit attributable to equity holders of the parent of £7,602,000 (2005: £7,073,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2006 of 45,157,402 (2005: 44,796,700), calculated as follows:

	<b>2006</b>	2005
	<b>Shares</b>	Shares
	<b>000's</b>	000's
Weighted average number of ordinary shares	<b>43,460</b>	43,374
Effect of share options on issue	<b>1,697</b>	1,423
Weighted average number of ordinary shares (diluted)	<b>45,157</b>	<u>44,797</u>

## 21. SHARE OPTION SCHEMES

### SAYE Scheme

During the year options over a further 319,947 shares were granted under the SAYE scheme at a price of 165 pence. The outstanding options at the year end were:

<b>Date of Grant</b>	<b>Price per share</b>	<b>Number of shares</b>
August 2003	85p	247,409
August 2004	110p	269,154
August 2005	165p	298,134
		<u>814,697</u>

All the options are exercisable between 3 and 3.5 years. At 31 March 2006 there were 255 employees saving an average £105 per month in respect of options under the SAYE scheme. The only SAYE scheme condition is continuous employment over the term of the option.

### Approved Share Option Scheme

Options over a further 280,000 shares were granted during the year at a price of 200.0 pence. The options outstanding at the year end were:

<b>Date of Grant</b>	<b>Price per share</b>	<b>Number of shares</b>
December 1999	57.0p	51,680
July 2000	56.5p	4,660
July 2001	65.0p	15,288
June 2002	93.0p	45,000
June 2003	104.0p	250,000
June 2004	145.5p	306,000
June 2005	200.0p	265,000
		<u>937,628</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 19.

### Unapproved Share Option Scheme

Options over 525,000 shares were granted during the year at a price of 200.0p. The options outstanding at the year end were:

<b>Date of Grant</b>	<b>Price per share</b>	<b>Number of shares</b>
June 2002	93.0p	10,000
June 2003	104.0p	165,000
June 2004	145.5p	280,000
June 2005	200.0p	505,000
		<u>960,000</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 19.

### Long Term Incentive Plan

Awards were made during the year in relation to a further 408,000 shares. Shares outstanding at the year end were:

<b>Date of Grant</b>	<b>Number of shares</b>
December 1999	141,700
July 2000	78,150
July 2001	45,400
June 2002	200,000
June 2003	240,000
June 2004	680,000
June 2005	408,000
	<u>1,793,250</u>

The vesting of the awards is subject to the achievement of performance targets over a three year period, as shown in the Remuneration Report on page 19.

## 21. SHARE OPTION SCHEMES (continued)

### Share Matching

Awards were made during the year in relation to a further 45,500 shares. Shares outstanding at the year end were:

Date of Grant	Number of shares
September 2003	31,200
August 2004	18,500
August 2005	45,500
	<u>95,200</u>

These options are exercisable between the third and tenth anniversary of the grant. The awards are subject to achievement of performance targets over a three year period as shown in the Remuneration Report on page 19.

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

The market value of the ordinary shares at 31 March 2006 was 344 pence (2005: 185.5 pence), the highest market value in the year to 31 March 2006 was 345 pence and the lowest 183.5 pence. The average share price during the year was 230 pence.

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

	2006		2005
	Weighted average exercise price	Number of options 000s	Weighted average exercise price
			Number of options 000s
Outstanding at beginning of the year	66p	3,816	61p
Lapsed during the year	141p	(218)	73p
Exercised during the year	79p	(575)	58p
Granted during the year	135p	1,578	82p
Outstanding at the end of the year	<u>85p</u>	<u>4,601</u>	<u>66p</u>
Exercisable at the year end	<u>16p</u>	<u>592</u>	<u>22p</u>

The options outstanding at 31 March 2006 have an exercise price in the range 0.0p to 200.0p and have a weighted average life of 2.1 years.

For options granted prior to November 2002 the options are valued at the intrinsic value at the date of grant. For options granted after November 2002 the fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value for the approved, unapproved and SAYE options are measured using the Black-Scholes model and the LTIP and share matching schemes are valued using a discounted grant price method. Cash settled options are valued at their fair value at each period end. The assumptions used to value the models are in the following ranges:

Weighted average fair value per share	2006 75.5p	2005 67.5p
Share price at date of grant	200p to 206p	144p to 155p
Exercise price (details provided above)	0p to 200p	0p to 145.5p
Expected volatility	27.2	20.2 to 22.1
Option life	3 to 10 years	3 to 10 years
Expected dividend yield	3.6% to 3.9%	3.1% to 3.2%
Risk free rate	4.75%	4.5%

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

The cost of share options charged to the profit and loss is shown in note 4.

The total carrying amount of cash settled transaction liabilities at the year end was £808,000 (2005: £584,000).

## 22. OPERATING LEASES

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

	2006		2005	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<b>GROUP</b>				
Operating leases which expire:				
Within one year	497	874	422	1,188
In the second to fifth years inclusive	4,322	5,542	3,514	4,537
Over five years	4,893	-	6,104	-
	<u>9,712</u>	<u>6,416</u>	<u>10,040</u>	<u>5,725</u>
<b>COMPANY</b>				
Operating leases which expire:				
Within one year	92	480	-	815
In the second to fifth years inclusive	874	3,101	605	2,645
Over five years	1,903	-	2,417	-
	<u>2,869</u>	<u>3,581</u>	<u>3,022</u>	<u>3,460</u>

## 23. CAPITAL COMMITMENTS

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

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Contracted	<u>593</u>	<u>712</u>	<u>1</u>	<u>510</u>

## 24. PENSION SCHEME

### Defined benefit scheme

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

The cash contributions made by the employer over the financial year have been £1,076,000. This is equivalent to approximately 27.9% of pensionable pay plus regular monthly contributions to reduce the deficit in the scheme totalling £445,000 and an additional special contribution of £499,000. Contributions are expected to continue at the rate of 22.7% of pensionable pay (staff), 28.7% of pensionable pay (directors) plus £445,000 per annum payable in monthly instalments, until reviewed following the triennial valuation of the scheme due as at 1 April 2007. These contributions represent the cash cost to the business. The overall impact on the Income Statement and Statement of Recognised Income and Expense is considered in detail below.

It is the policy of the company to recognise all actuarial gains and losses in the year in which they occur in the Statement of Recognised Income and Expense.

### Present value of net obligation

	Group and Company	
	2006 £000	2005 £000
Present value of defined benefit obligation	(11,864)	(10,155)
Fair value of scheme assets	8,970	6,239
Present value of net obligations	<u>(2,894)</u>	<u>(3,916)</u>

## 24. PENSION SCHEME (continued)

### Liability for defined benefit obligations

Changes in the present value of the defined benefit obligation are as follows:

	<b>Group and Company</b>	2005
	<b>2006</b>	£000
	<b>£000</b>	£000
Opening defined benefit obligation	<b>10,155</b>	8,086
Service cost	<b>130</b>	102
Interest cost	<b>592</b>	465
Actuarial losses	<b>1,103</b>	1,617
Benefits paid	<b>(127)</b>	(125)
Contributions by employees	<b>11</b>	10
Closing defined benefit obligation	<b><u>11,864</u></b>	<u>10,155</u>

### Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	<b>Group and Company</b>	2005
	<b>2006</b>	£000
	<b>£000</b>	£000
Opening fair value of scheme assets	<b>6,239</b>	5,490
Expected return	<b>437</b>	368
Actuarial gains	<b>1,334</b>	307
Contributions by employer	<b>1,076</b>	189
Contributions by employee	<b>11</b>	10
Benefits paid	<b>(127)</b>	(125)
Closing fair value of scheme assets	<b><u>8,970</u></b>	<u>6,239</u>

### Expense recognised in the Income Statement

	<b>Group and Company</b>	2005
	<b>2006</b>	£000
	<b>£000</b>	£000
Current service costs	<b>130</b>	102
Interest on obligation	<b>592</b>	465
Expected return on scheme assets	<b>(437)</b>	(368)
	<b><u>285</u></b>	<u>199</u>

This expense is recognised in the following line items in the Income Statement:

	<b>Group and Company</b>	2005
	<b>2006</b>	£000
	<b>£000</b>	£000
Cost of sales	<b>45</b>	31
Administrative expenses	<b>240</b>	168
	<b><u>285</u></b>	<u>199</u>

Cumulative actuarial net losses reported in the Statement of Recognised Income and Expense since 1 April 2004, the transition to adopted IFRSs, for the Group and Company are £1,079,000 (2005: £1,310,000).

### Scheme assets and returns

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

	<b>Group and Company</b>			
	<b>2006</b>		2005	
	<b>Long Term</b>	<b>£000</b>	Long Term	£000
	<b>Rate of Return</b>		Rate of Return	
Equities	<b>7.00%</b>	<b>7,287</b>	7.00%	5,240
Bonds and other	<b>5.00%</b>	<b>1,683</b>	5.25%	999
	<b>6.62%</b>	<b><u>8,970</u></b>	6.72%	<u>6,239</u>
Actual return on scheme assets		<b><u>1,771</u></b>		<u>675</u>

## 24. PENSION SCHEME (continued)

### Scheme assets and returns (continued)

None of the fair values of the assets shown on page 54 include any of the Company's own financial instruments or any property occupied by or other assets used by the Company.

The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

### Principal actuarial assumptions

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

	<b>Group and Company</b>	
	<b>2006</b>	2005
Inflation	<b>3.00%</b>	3.00%
Discount rate at 31 March	<b>5.25%</b>	5.75%
Expected future salary increases	<b>4.00%</b>	4.00%
Expected future pension increases	<b>3.00%</b>	3.00%
Revaluation of deferred pensions	<b>3.00%</b>	3.00%

Mortality rate assumptions have been taken from the standard actuarial tables known as PA92 (2020) which make allowance for improvements in longevity projected to the year 2020.

### History of scheme

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

	<b>Group and Company</b>			
	<b>2006</b>	2005	2004	2003
	<b>£000</b>	£000	£000	£000
Present value of defined benefit obligation	<b>(11,864)</b>	(10,155)	(8,086)	(7,514)
Fair value of plan assets	<b>8,970</b>	6,239	5,492	4,355
Present value of net obligations	<b>(2,894)</b>	(3,916)	(2,594)	(3,159)

### Gains/(losses) recognised in Statement of Recognised Income and Expense

	<b>Group and Company</b>			
	<b>2006</b>	2005	2004	2003
Difference between expected and actual return on scheme assets:				
Amount (£000)	<b>1,334</b>	307	770	(1,636)
Percentage of scheme assets	<b>14.9%</b>	4.9%	14.0%	(37.6%)
Experience gains and losses arising on the scheme liabilities:				
Amount (£000)	<b>(533)</b>	(232)	(93)	279
Percentage of present value of scheme liabilities	<b>(4.5%)</b>	(2.3%)	(1.2%)	3.7%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
Amount (£000)	<b>(570)</b>	(1,385)	(73)	(1,169)
Percentage of present value of scheme liabilities	<b>(4.8%)</b>	(13.6%)	(0.9%)	(15.6%)
Total amount recognised in statement of recognised income and expense:				
Amount (£000)	<b>231</b>	(1,310)	604	(2,526)
Percentage of present value of scheme liabilities	<b>1.9%</b>	(12.9%)	7.5%	(33.6%)

The Group expects to contribute £487,000 to its defined benefit plan in 2006/7.

### Defined contribution plan

The Group also operates defined contribution schemes for other eligible employees. The assets of the schemes are held separately from those of the Group. The pension cost represents contributions payable by the Group and amounted to £306,000 (2005: £284,000) in the year.



## 25. ACQUISITIONS

The Group acquired the following businesses:

Name of acquisition	Date of acquisition	Type of acquisition	Acquired by
Sokkia UK	6 June 2005	Business and assets	Vp plc
ESS/Pivotal	22 July 2005	Business and assets	Hire Station Limited
TPA	4 November 2005	Share capital (100%)	Vp plc
Dudley Vale	25 November 2005	Business and assets	Vp plc
Bukom Oilfield Services	7 March 2006	Share capital (100%)	Vp plc

In addition the assets of Birse Survey were acquired in association with a three year supply agreement by Vp plc.

The acquisition of TPA is material in Group terms, however the rest of the acquisitions are not individually material in Group terms and therefore the details are provided in aggregate below:

	Group				Company	
	2006 TPA £000	2006 Other £000	2006 Total £000	2005 £000	2006 £000	2005 £000
Property, plant and equipment	9,281	5,367	14,648	202	2,298	-
Current assets	2,541	3,552	6,093	24	115	-
Net debt	(7,470)	(2,957)	(10,427)	-	-	-
Trade and other payables	(1,165)	(1,550)	(2,715)	-	-	-
Deferred tax	(497)	-	(497)	-	-	-
<b>Book value of assets acquired</b>	<b>2,690</b>	<b>4,412</b>	<b>7,102</b>	<b>226</b>	<b>2,413</b>	<b>-</b>
<b>Fair value adjustments</b>						
Intangibles on acquisition	1,400	72	1,472	-	72	-
Deferred tax on intangibles	(420)	-	(420)	-	-	-
Fair value adjustment to fixed assets	-	721	721	-	-	-
<b>Fair value of assets acquired</b>	<b>3,670</b>	<b>5,205</b>	<b>8,875</b>	<b>226</b>	<b>2,485</b>	<b>-</b>
Goodwill on acquisition	15,856	8,845	24,701	34	1,545	-
<b>Cost of acquisitions</b>	<b>19,526</b>	<b>14,050</b>	<b>33,576</b>	<b>260</b>	<b>4,030</b>	<b>-</b>
<b>Satisfied by</b>						
Consideration	19,172	13,472	32,644	252	3,804	-
Acquisition costs	354	578	932	8	226	-
	<b>19,526</b>	<b>14,050</b>	<b>33,576</b>	<b>260</b>	<b>4,030</b>	<b>-</b>
<b>Analysis of cash flow for acquisitions</b>						
Consideration	19,172	13,472	32,644	252	3,804	-
Contingent consideration	(7,930)	-	(7,930)	-	-	-
Loan notes	(1,011)	-	(1,011)	-	-	-
Acquisition costs capitalised	354	578	932	8	226	-
Net overdraft included in acquisitions	1,414	2,906	4,320	-	-	-
Cash received relating to prior year's acquisitions	-	-	-	(56)	-	(56)
	<b>11,999</b>	<b>16,956</b>	<b>28,955</b>	<b>204</b>	<b>4,030</b>	<b>(56)</b>

Certain of the fair values included above are provisional due to the timing of acquisitions and will be finalised within 12 months of the acquisition date.

Prior year acquisitions relate to the acquisition of the trade and assets of Major Tool Hire on 8 December 2004 by Hire Station Limited.

## 25. ACQUISITIONS (continued)

Other than TPA, as a result of the immediate integration of the acquisitions into the business, including the transfer of assets between depots, it is not possible to disclose separately the trading performance of the acquisitions in the Income Statement. For the same reason it is not possible to disclose what the revenue or profit for the combined entity would have been had all business combinations effected in the year occurred on 1 April 2005.

Since acquisition TPA has contributed revenue of £2,479,000 and an operating loss of £(275,000).

Goodwill on acquisitions relates to the relationships, skills and inherent market knowledge of employees within the acquired businesses together with the synergistic benefits within the enlarged businesses post acquisition, principally through economies of scale and improved business processes and management. These are critical to the ongoing success of any specialised equipment rental business, together with the availability of the right equipment. Other than sole source supply agreements with committed volumes and trade names, the Directors are not aware of any other acquired assets which meet the criteria for recognition as an intangible asset.

## 26. RELATED PARTIES

Material transactions with key management (being the Directors' of the Group) only constitute remuneration, details of which are included in the Remuneration Report on pages 19 to 22 and in note 5 to the Financial Statements.

### Trading transactions with subsidiaries - Group

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

### Trading transactions with subsidiaries - Parent Company

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

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

Recharges are made for Group services based on the utilisation of those services, however with the exception of one subsidiary the Group does not charge interest on internal funding. In addition to these services the Company acts as a buying agent for certain Group purchases such as insurance and IT services. These are recharged based on utilisation by the subsidiary undertaking.

The amount outstanding from subsidiary undertakings to the Company at 31 March 2006 totalled £28,541,000 (2005: £21,489,000). Amounts owed to subsidiary undertakings by the Company at 31 March 2006 totalled £16,838,000 (2005: £13,858,000).

The Company and certain subsidiary undertakings have entered into cross guarantees of external bank loans and overdrafts of the Company. The total value of such borrowings at 31 March 2006 was £33.5m (2005: £8.0m).

## 27. ACCOUNTING ESTIMATES AND JUDGEMENTS

The key accounting policies and estimates used in preparing the Group's Annual Report and Accounts for the year ended 31 March 2006 have been reviewed and approved by the Audit Committee. The areas of principal accounting uncertainty are impairment of goodwill and other intangibles, estimated useful lives of fleet assets, assumptions relating to pension costs and the impact of the Group's share price on its liability for cash settled share options.

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

The Group continually reviews depreciation rates and adopts a cautious policy in assessing estimated useful economic lives of fleet assets (see page 37). The rate of technological and legislative change is factored into the estimates, together with the diminution in value through use and time. As an equipment rental specialist, the Group is an active trader in used assets and generally achieves profits on asset disposals which are used to further assess the level of provisioning for asset depreciation across the Group.

The key assumptions applied to pensions are disclosed in note 24. The pension scheme liabilities are derived using actuarial assumptions for inflation, future salary increases, discount rates and mortality rates which are inherently uncertain. Due to the relative size of the scheme liabilities, small changes to these assumptions can give rise to a significant impact on the pension scheme deficit reported in the Balance Sheet.

Certain share options granted by the Group are settled in cash and these are required to be re-measured at each reporting date. Changes in the Company's share price during the reporting period therefore impact the charge to the Income Statement for cash settled options, including vested but not exercised options, as well as unvested options.

## 28. ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Ackers P Investment Company Limited which is the ultimate parent Company incorporated in Great Britain. Consolidated accounts are not prepared for this Company.

## 29. RECONCILIATION OF PROFIT AND NET ASSETS UNDER UK GAAP TO IFRS

As stated in note 1, these are the Group's first consolidated Financial Statements prepared in accordance with adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the Financial Statements for the year ended 31 March 2006, the comparative information presented in these Financial Statements for the year ended 31 March 2005 and in the preparation of an opening IFRS balance sheet at 1 April 2004 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in Financial Statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

### Consolidated Income Statement for the year ended 31 March 2005

	UK GAAP £000	IFRS adjustments					IFRS £000
		Goodwill £000	Employee Benefits £000	Financial Instruments £000	Share Based Payments £000	Deferred Tax £000	
Revenue	90,044	-	-	-	-	-	90,044
Cost of sales	(64,551)	-	-	-	-	-	(64,551)
Gross profit	25,493	-	-	-	-	-	25,493
Administrative expenses	(15,790)	429	231	-	(167)	-	(15,297)
Operating profit	9,703	429	231	-	(167)	-	10,196
Net financial expenses	(348)	-	-	40	-	-	(308)
Profit before tax	9,355	429	231	40	(167)	-	9,888
Income tax expense	(2,831)	-	-	-	-	16	(2,815)
Profit for the year attributable to equity holders of the parent	6,524	429	231	40	(167)	16	7,073
Earnings per share							
Basic	15.04p						16.31p
Diluted	14.56p						15.79p

**29. RECONCILIATION OF PROFIT AND NET ASSETS UNDER UK GAAP TO IFRS** (continued)

**Consolidated Balance Sheet as at 31 March 2004**

	UK GAAP £000	IFRS adjustments							IFRS £000
		Goodwill £000	Employee Benefits £000	Share Based Payments £000	Deferred Tax £000	Dividends £000	Financial Instruments £000	Revaluation £000	
<b>Non-current assets</b>									
Property, plant and equipment	49,911	(354)	-	-	-	-	-	-	49,557
Intangible assets	7,136	298	-	-	-	-	-	-	7,434
<b>Total non-current assets</b>	<b>57,047</b>	<b>(56)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,991</b>
<b>Current assets</b>									
Inventories	2,018	-	-	-	-	-	-	-	2,018
Trade and other receivables	21,694	78	-	-	-	-	-	-	21,772
Cash and cash equivalents	1,087	-	-	-	-	-	-	-	1,087
<b>Total current assets</b>	<b>24,799</b>	<b>78</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,877</b>
<b>Total assets</b>	<b>81,846</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,868</b>
<b>Current liabilities</b>									
Interest bearing loans and borrowings	(469)	-	-	-	-	-	-	-	(469)
Income tax payable	(1,641)	-	-	-	-	-	-	-	(1,641)
Trade and other payables	(15,274)	(22)	-	(292)	-	1,452	(49)	-	(14,185)
<b>Total current liabilities</b>	<b>(17,384)</b>	<b>(22)</b>	<b>-</b>	<b>(292)</b>	<b>-</b>	<b>1,452</b>	<b>(49)</b>	<b>-</b>	<b>(16,295)</b>
<b>Non-current liabilities</b>									
Interest bearing loans and borrowings	(8,110)	-	-	-	-	-	-	-	(8,110)
Employee benefits	(203)	-	(2,391)	-	-	-	-	-	(2,594)
Deferred tax liability	(4,319)	-	-	-	346	-	-	-	(3,973)
<b>Total non-current liabilities</b>	<b>(12,632)</b>	<b>-</b>	<b>(2,391)</b>	<b>-</b>	<b>346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,677)</b>
<b>Total liabilities</b>	<b>(30,016)</b>	<b>(22)</b>	<b>(2,391)</b>	<b>(292)</b>	<b>346</b>	<b>1,452</b>	<b>(49)</b>	<b>-</b>	<b>(30,972)</b>
<b>Net assets</b>	<b>51,830</b>	<b>-</b>	<b>(2,391)</b>	<b>(292)</b>	<b>346</b>	<b>1,452</b>	<b>(49)</b>	<b>-</b>	<b>50,896</b>
<b>Equity</b>									
Issued share capital	2,309	-	-	-	-	-	-	-	2,309
Share premium	16,192	-	-	-	-	-	-	-	16,192
Revaluation reserve	599	-	-	-	(180)	-	-	(419)	-
Retained earnings	32,703	-	(2,391)	(292)	526	1,452	(49)	419	32,368
<b>Total equity attributable to equity holders of the parent</b>	<b>51,803</b>	<b>-</b>	<b>(2,391)</b>	<b>(292)</b>	<b>346</b>	<b>1,452</b>	<b>(49)</b>	<b>-</b>	<b>50,869</b>
<b>Minority interest</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27</b>
<b>Total equity</b>	<b>51,830</b>	<b>-</b>	<b>(2,391)</b>	<b>(292)</b>	<b>346</b>	<b>1,452</b>	<b>(49)</b>	<b>-</b>	<b>50,896</b>

**29. RECONCILIATION OF PROFIT AND NET ASSETS UNDER UK GAAP TO IFRS** (continued)

**Consolidated Balance Sheet as at 31 March 2005**

	UK GAAP £000	IFRS adjustments							IFRS £000
		Goodwill £000	Employee Benefits £000	Share Based Payments £000	Deferred Tax £000	Dividends £000	Financial Instruments £000	Revaluation £000	
<b>Non-current assets</b>									
Property, plant and equipment	48,676	-	-	-	-	-	-	-	48,676
Intangible assets	7,039	429	-	-	-	-	-	-	7,468
<b>Total non-current assets</b>	<b>55,715</b>	<b>429</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,144</b>
<b>Current assets</b>									
Inventories	2,136	-	-	-	-	-	-	-	2,136
Trade and other receivables	22,069	-	-	-	-	-	-	-	22,069
Cash and cash equivalents	5,755	-	-	-	-	-	-	-	5,755
<b>Total current assets</b>	<b>29,960</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,960</b>
<b>Total assets</b>	<b>85,675</b>	<b>429</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,104</b>
<b>Current liabilities</b>									
Interest bearing loans and borrowings	(159)	-	-	-	-	-	-	-	(159)
Income tax payable	(1,628)	-	-	-	-	-	-	-	(1,628)
Trade and other payables	(15,138)	-	-	(518)	-	1,740	(9)	-	(13,925)
<b>Total current liabilities</b>	<b>(16,925)</b>	<b>-</b>	<b>-</b>	<b>(518)</b>	<b>-</b>	<b>1,740</b>	<b>(9)</b>	<b>-</b>	<b>(15,712)</b>
<b>Non-current liabilities</b>									
Interest bearing loans and borrowings	(8,033)	-	-	-	-	-	-	-	(8,033)
Employee benefits	(446)	-	(3,470)	-	-	-	-	-	(3,916)
Deferred tax liability	(4,009)	-	-	-	996	-	-	-	(3,013)
<b>Total non-current liabilities</b>	<b>(12,488)</b>	<b>-</b>	<b>(3,470)</b>	<b>-</b>	<b>996</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,962)</b>
<b>Total liabilities</b>	<b>(29,413)</b>	<b>-</b>	<b>(3,470)</b>	<b>(518)</b>	<b>996</b>	<b>1,740</b>	<b>(9)</b>	<b>-</b>	<b>(30,674)</b>
<b>Net assets</b>	<b>56,262</b>	<b>429</b>	<b>(3,470)</b>	<b>(518)</b>	<b>996</b>	<b>1,740</b>	<b>(9)</b>	<b>-</b>	<b>55,430</b>
<b>Equity</b>									
Issued share capital	2,309	-	-	-	-	-	-	-	2,309
Share premium	16,192	-	-	-	-	-	-	-	16,192
Revaluation reserve	430	-	-	-	(129)	-	-	(301)	-
Retained earnings	37,304	429	(3,470)	(518)	1,125	1,740	(9)	301	36,902
<b>Total equity attributable to equity holders of the parent</b>	<b>56,235</b>	<b>429</b>	<b>(3,470)</b>	<b>(518)</b>	<b>996</b>	<b>1,740</b>	<b>(9)</b>	<b>-</b>	<b>55,403</b>
<b>Minority interest</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27</b>
<b>Total equity</b>	<b>56,262</b>	<b>429</b>	<b>(3,470)</b>	<b>(518)</b>	<b>996</b>	<b>1,740</b>	<b>(9)</b>	<b>-</b>	<b>55,430</b>

**29. RECONCILIATION OF PROFIT AND NET ASSETS UNDER UK GAAP TO IFRS** (continued)

**Parent Company Balance Sheet as at 31 March 2004**

	UK GAAP £000	IFRS adjustments							IFRS £000
		Goodwill £000	Employee Benefits £000	Share Based Payments £000	Deferred Tax £000	Dividends £000	Financial Instruments £000	Revaluation £000	
<b>Non-current assets</b>									
Property, plant and equipment	31,859	(354)	-	-	-	-	-	-	31,505
Intangible assets	2,873	298	-	-	-	-	-	-	3,171
Investments in subsidiaries	12,019	-	-	-	-	-	-	-	12,019
<b>Total non-current assets</b>	<b>46,751</b>	<b>(56)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,695</b>
<b>Current assets</b>									
Inventories	454	-	-	-	-	-	-	-	454
Trade and other receivables	26,717	78	-	-	-	-	-	-	26,795
Cash and cash equivalents	9	-	-	-	-	-	-	-	9
<b>Total current assets</b>	<b>27,180</b>	<b>78</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,258</b>
<b>Total assets</b>	<b>73,931</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,953</b>
<b>Current liabilities</b>									
Bank overdraft	(854)	-	-	-	-	-	-	-	(854)
Interest bearing loans and borrowings	(348)	-	-	-	-	-	-	-	(348)
Income tax payable	(1,248)	-	-	-	-	-	-	-	(1,248)
Trade and other payables	(20,254)	(22)	-	(292)	-	1,452	(49)	-	(19,165)
<b>Total current liabilities</b>	<b>(22,704)</b>	<b>(22)</b>	<b>-</b>	<b>(292)</b>	<b>-</b>	<b>1,452</b>	<b>(49)</b>	<b>-</b>	<b>(21,615)</b>
<b>Non-current liabilities</b>									
Interest bearing loans and borrowings	(8,110)	-	-	-	-	-	-	-	(8,110)
Employee benefits	(203)	-	(2,391)	-	-	-	-	-	(2,594)
Deferred tax liability	(3,878)	-	-	-	346	-	-	-	(3,532)
<b>Total non-current liabilities</b>	<b>(12,191)</b>	<b>-</b>	<b>(2,391)</b>	<b>-</b>	<b>346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,236)</b>
<b>Total liabilities</b>	<b>(34,895)</b>	<b>(22)</b>	<b>(2,391)</b>	<b>(292)</b>	<b>346</b>	<b>1,452</b>	<b>(49)</b>	<b>-</b>	<b>(35,851)</b>
<b>Net assets</b>	<b>39,036</b>	<b>-</b>	<b>(2,391)</b>	<b>(292)</b>	<b>346</b>	<b>1,452</b>	<b>(49)</b>	<b>-</b>	<b>38,102</b>
<b>Equity</b>									
Issued share capital	2,309	-	-	-	-	-	-	-	2,309
Share premium	16,192	-	-	-	-	-	-	-	16,192
Revaluation reserve	599	-	-	-	(180)	-	-	(419)	-
Retained earnings	19,936	-	(2,391)	(292)	526	1,452	(49)	419	19,601
<b>Total equity attributable to equity holders of the parent</b>	<b>39,036</b>	<b>-</b>	<b>(2,391)</b>	<b>(292)</b>	<b>346</b>	<b>1,452</b>	<b>(49)</b>	<b>-</b>	<b>38,102</b>

**29. RECONCILIATION OF PROFIT AND NET ASSETS UNDER UK GAAP TO IFRS** (continued)

**Parent Company Balance Sheet as at 31 March 2005**

	UK GAAP £000	IFRS adjustments							IFRS £000
		Goodwill £000	Employee Benefits £000	Share Based Payments £000	Deferred Tax £000	Dividends £000	Financial Instruments £000	Others £000	
<b>Non-current assets</b>									
Property, plant and equipment	30,984	-	-	-	-	-	-	-	30,984
Intangible assets	3,021	150	-	-	-	-	-	-	3,171
Investment in subsidiaries	12,019	-	-	-	-	-	-	-	12,019
<b>Total non-current assets</b>	<b>46,024</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,174</b>
<b>Current assets</b>									
Inventories	676	-	-	-	-	-	-	-	676
Trade and other receivables	30,592	-	-	-	-	-	-	-	30,592
Cash and cash equivalents	4,216	-	-	-	-	-	-	84	4,300
<b>Total current assets</b>	<b>35,484</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84</b>	<b>35,568</b>
<b>Total assets</b>	<b>81,508</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84</b>	<b>81,742</b>
<b>Current liabilities</b>									
Bank overdraft	-	-	-	-	-	-	-	(84)	(84)
Interest bearing loans and borrowings	(159)	-	-	-	-	-	-	-	(159)
Income tax payable	(1,290)	-	-	-	-	-	-	-	(1,290)
Trade and other payables	(21,501)	-	-	(518)	-	1,740	(9)	-	(20,288)
<b>Total current liabilities</b>	<b>(22,950)</b>	<b>-</b>	<b>-</b>	<b>(518)</b>	<b>-</b>	<b>1,740</b>	<b>(9)</b>	<b>(84)</b>	<b>(21,821)</b>
<b>Non-current liabilities</b>									
Interest bearing loans and borrowings	(8,033)	-	-	-	-	-	-	-	(8,033)
Employee benefits	(446)	-	(3,470)	-	-	-	-	-	(3,916)
Deferred tax liability	(3,599)	-	-	-	996	-	-	-	(2,603)
<b>Total non-current liabilities</b>	<b>(12,078)</b>	<b>-</b>	<b>(3,470)</b>	<b>-</b>	<b>996</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,552)</b>
<b>Total liabilities</b>	<b>(35,028)</b>	<b>-</b>	<b>(3,470)</b>	<b>(518)</b>	<b>996</b>	<b>1,740</b>	<b>(9)</b>	<b>(84)</b>	<b>(36,373)</b>
<b>Net assets</b>	<b>46,480</b>	<b>150</b>	<b>(3,470)</b>	<b>(518)</b>	<b>996</b>	<b>1,740</b>	<b>(9)</b>	<b>-</b>	<b>45,369</b>
<b>Equity</b>									
Issued share capital	2,309	-	-	-	-	-	-	-	2,309
Share premium	16,192	-	-	-	-	-	-	-	16,192
Revaluation reserve	430	-	-	-	(129)	-	-	(301)	-
Retained earnings	27,549	150	(3,470)	(518)	1,125	1,740	(9)	301	26,868
<b>Total equity attributable to equity holders of the parent</b>	<b>46,480</b>	<b>150</b>	<b>(3,470)</b>	<b>(518)</b>	<b>996</b>	<b>1,740</b>	<b>(9)</b>	<b>-</b>	<b>45,369</b>

## 29. RECONCILIATION OF PROFIT AND NET ASSETS UNDER UK GAAP TO IFRS (continued)

### Explanation of IFRS Adjustments

#### Goodwill

Under UK GAAP goodwill was amortised over its expected useful life of twenty years. Under adopted IFRSs, goodwill is assumed to have an indefinite useful life, but is reviewed for impairment on an annual basis and any such impairment is charged to the Income Statement. At the date of transition the Group has applied the exemption under IFRS1 not to reinstate goodwill to original cost and has carried forward the book value of goodwill relating to acquisitions prior to 1 April 2004 totalling £7,136,000 for the Group and £2,873,000 for the Company, having tested goodwill for impairment on transition.

The impact on the Income Statement for the year ending 31 March 2005 is that goodwill amortisation of Group: £429,000, Company: £150,000 that was previously charged under UK GAAP has been reversed such that no charge has been provided and hence net assets at 31 March 2005 have increased by these amounts.

In addition the 31 March 2004 balance sheet has also been adjusted to reflect goodwill of £298,000, recorded in the year ended 31 March 2005, which related to prior year acquisitions for which fair values had previously been provisionally estimated. This has no impact on net assets as it is purely a balance sheet reclassification.

As at the 31 March 2005 there was no indication of impairment of any of the remaining goodwill.

#### Dividends

Under adopted IFRSs dividends are now charged in the period in which they are approved rather than the period to which they relate, therefore the final dividend for the year ended 31 March 2004 of £1,452,000 has been reversed in the opening balance sheet and reflected in equity in the year ended 31 March 2005. Similarly the final dividend of £1,740,000 accrued for 31 March 2005 has been reversed in the IFRS balance sheet and is reflected in the year ending 31 March 2006. These adjustments affect both the Group and the Company.

#### Share Based Payments

Under UK GAAP the cost of options was based on the intrinsic value at the date of grant, whereas under adopted IFRSs the fair values per share are calculated with reference to an appropriate option pricing model for options granted since 7 November 2002, that had not vested at 1 January 2005, and this is charged to the Income Statement over their respective vesting periods.

The additional charge arising from adoption of IFRS 2 on the Group's Income Statement was £167,000 for the year ended 31 March 2005. This additional charge has increased by £144,000 when compared to the original announcement of the restated accounts in November 2005. This change reflects a refinement of the share option models for cash settled options since the original announcement.

#### Financial Instruments

The Group and Company have an interest rate swap held for hedging purposes in order to reduce the risk of exposure to changes in interest rates. The movements in fair value have been taken to the Income Statement. Under UK GAAP the fair value was not reflected in the Balance Sheet.

As at 31 March 2004 a liability of £49,000 was recognised reducing net assets to reflect the fair value of this instrument at that date. For the year ended 31 March 2005, the fair value improved by £40,000 due to an increase in interest rates at that date and this has been credited to the Income Statement for that period.

The Group and Company did not apply the exemption under IAS39 which would have allowed application of the standard to be deferred until 1 April 2005.



### **Employee Benefits**

Under UK GAAP pension costs were accounted for against operating profit by spreading the cost of providing the benefits, including actuarial gains and losses, over the estimated average remaining service lives of employees within the pension schemes in accordance with SSAP24. IAS 19, "Employee Benefits", requires that the Group's and Company's pension deficits be recorded as balance sheet liabilities and that all actuarial gains and losses are recognised, under the amendment to IAS 19, in the Statement of Recognised Income and Expense as they arise.

The deficit on the Balance Sheet for 31 March 2004, under IAS 19, reduced net assets by £2,391,000 with a deferred tax asset of £778,000 being accounted for within deferred tax liabilities.

The impact of IAS 19 for the year ended 31 March 2005 is to reduce the pension charge in the Income Statement by £231,000. The deficit recognised in the Balance Sheet at 31 March 2005 increased by £1,322,000 to £3,916,000. The Statement of Recognised Income and Expense reflects £1,310,000 of this adjustment, the balance being reflected through the Income Statement.

### **Deferred Tax**

Deferred Tax, under UK GAAP, was provided for on the basis of timing differences between accounting profit and taxable profit. IAS 12, "Income Taxes" requires that deferred tax is to be based on temporary differences between the carrying value of an asset or liability and its tax base.

The effect of adopted IFRSs on the deferred tax liability is to reduce the liability at 31 March 2004 by £346,000, with a corresponding increase in retained earnings. The decrease related to deferred tax assets on pensions and share options of £1,046,000 less liabilities on asset revaluations and rolled over capital gains together with the reversal of the SSAP24 deferred tax asset which in total were £700,000.

During the year ended 31 March 2005 the deferred tax liability under adopted IFRSs reduced by £960,000 of which £326,000 was credited to the Income Statement and the balance relating to share option charges and pensions was credited to equity.

The adjustments are the same for the Group and the Company.

### **Cash Flow**

The adoption of IFRSs did not affect the underlying cash flow position, but the cash flow presentation in these Financial Statements has been amended to reflect the presentation required under adopted IFRSs.

# F I V E Y E A R S U M M A R Y

	UK GAAP			IFRS	
	2002 £000	2003 £000	2004 £000	2005 £000	2006 £000
Revenue	66,847	75,546	83,497	90,044	<b>99,396</b>
Profit before taxation	6,172	7,506	8,868	9,888	<b>10,672</b>
Taxation	(1,664)	(2,119)	(2,529)	(2,815)	<b>(3,070)</b>
Profit after taxation	<u>4,508</u>	<u>5,387</u>	<u>6,339</u>	<u>7,073</u>	<u><b>7,602</b></u>
Dividends*	<u>(1,837)</u>	<u>(1,964)</u>	<u>(2,142)</u>	<u>(2,214)</u>	<u><b>(2,572)</b></u>
Share capital	2,309	2,309	2,309	2,309	<b>2,309</b>
Reserves	44,189	47,612	49,494	53,094	<b>57,987</b>
Total equity before minority interest	<u>46,498</u>	<u>49,921</u>	<u>51,803</u>	<u>55,403</u>	<u><b>60,296</b></u>
<b>Share Statistics</b>					
Asset value	<u>101p</u>	<u>108p</u>	<u>112p</u>	<u>120p</u>	<u><b>131p</b></u>
Earnings	<u>10.23p</u>	<u>12.36p</u>	<u>14.59p</u>	<u>16.31p</u>	<u><b>17.49p</b></u>
Dividend**	<u>4.20p</u>	<u>4.50p</u>	<u>5.00p</u>	<u>5.75p</u>	<u><b>6.60p</b></u>
Times covered	<u>2.45</u>	<u>2.74</u>	<u>2.96</u>	<u>2.82</u>	<u><b>2.65</b></u>

\* Dividends under IFRS relate only to dividends declared in that year, whereas dividends under UK GAAP included those proposed at the year end relating to that year.

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

# NOTICE OF MEETING

Notice is hereby given that the thirty fourth Annual General Meeting of the Company will be held at Rudding House, Rudding Park, Follifoot, Harrogate on Thursday 7 September 2006 at 10am for the following purposes:

## As ordinary business

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 March 2006, and the Auditors' Report contained therein.
2. To declare a Final Dividend.
3. To re-appoint N A Stothard as a Director.
4. To re-appoint M J Holt as a Director.
5. To re-appoint B Cottingham as a Director.
6. To re-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 agree their remuneration.
7. To approve the Remuneration Report for the year ended 31 March 2006.

## As special business

To consider and, if thought fit, pass the following resolutions of which Resolution 8 will be proposed as an Ordinary Resolution and Resolutions 9 and 10 will be proposed as Special Resolutions:

8. That for the purposes of Section 80 of the Companies Act 1985 (the "Act") (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.
9. That subject to the passing of the previous resolution the Directors be and they are hereby generally authorised to allot for cash or otherwise equity securities (as defined in Section 94 of the Act) of the Company pursuant to the authority conferred by Resolution 8 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 holders of ordinary shares of 5 pence each ("Ordinary Shares") where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be practicable) 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 sub-paragraphs (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.

10. That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Act) of Ordinary Shares provided that:
  - a) the maximum number of Ordinary Shares to be purchased is 4,618,500 being 10% of the issued share capital of the Company;
  - b) the minimum price which may be paid for Ordinary Shares is 5 pence per Ordinary Share exclusive of expenses;
  - c) the maximum price which may be paid for an ordinary share is the amount equal to 5% above the average of the middle market quotations derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day of purchase, exclusive of expenses;
  - d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 12 months from the passing of this resolution if earlier; and
  - e) the Company may make a contract to purchase Ordinary Shares under the authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract.

By order of the Board.

**M J Holt**  
Secretary

6 July 2006

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

## 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. To be effective it must be deposited at the offices of the company's registrars not less than 48 hours before the time fixed for the meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting if he/she so wishes.

In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at 5.00pm on 5 September 2006 or if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after 5pm on 5 September 2006 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

**A N N U A L G E N E R A L  
V P P L C F O R M**

**M E E T I N G  
O F P R O X Y**

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

of \_\_\_\_\_

being a registered holder(s) of \* \_\_\_\_\_ Ordinary Shares in the capital of Vp plc

hereby appoint the Chairman of the Meeting, or (note 2) \_\_\_\_\_

as my/our Proxy to attend and on a poll vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday 7 September 2006 and at any adjournment thereof. I/we request the Proxy to vote on the following resolutions as indicated.

<b>Resolution</b>	<b>For</b>	<b>Against</b>	<b>Vote Withheld</b>
1. To receive the Directors' Report, Remuneration Report and Financial Statements for the year ended 31 March 2006 and the Auditors' Report contained therein	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint N A Stothard as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint MJ Holt as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint B Cottingham as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint KPMG Audit Plc as Auditors and to authorise the Directors to agree their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To approve the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To approve the authority to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To approve the disapplication of pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To approve the authority for the purchase of own shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature \_\_\_\_\_ Date \_\_\_\_\_

**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.
- A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for or against a resolution.
- 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 offices of the Company's Registrars at Capita IRG plc, Proxy Department, The Registry, Bourne House, 34 Beckenham Road Beckenham, Kent, BR3 4TU not less than 48 hours before the time appointed for the meeting.
- CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by following the procedures described in the CREST manual. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's registrar, Capita Registrars (whose CREST ID is RA10) not later than 48 hours before the time fixed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.

\* 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.

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BUSINESS REPLY SERVICE  
Licence No. MB 122

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FIRST FOLD

**Capita Registrars  
Proxy Department  
P.O. Box 25  
Beckenham  
Kent  
BR3 4BR**

SECOND FOLD

