# The Equipment Rental Specialist

INTERIM REPORT
2018/19

www.vpplc.com

# Chairman's Statement

**I am very pleased to report on a period of further significant growth for the Group in the six month period to 30 September 2018.**

Profit before tax and amortisation rose by 22% to £25.9 million (H1 2018: £21.2 million) on revenues that were 42% higher at £193.2 million (H1 2018: £136.0 million). These results include a maiden first half year contribution from Brandon Hire ('Brandon') which the Group acquired in November 2017. Earnings per share pre-amortisation increased by 18% to 52.3 pence per share (H1 2018: 44.2 pence per share). As expected, return on average capital employed ('ROACE') softened slightly, to a still extremely satisfactory 14.5% (H1 2018: 16.0%) reflecting the temporary effect of the Brandon acquisition. Excluding this acquisition, the underlying ROACE remained above 16%.

Capital investment in fleet rose to £36.7 million (H1 2018: £32.5 million). Borrowings at the period end stood at £188.2 million (31 March 2018: £179.2 million). EBITDA increased to £51.6 million (H1 2018: £41.1 million) demonstrating the quality of the Group's cash flow.

In view of this excellent set of results, the Board is pleased to declare a 21% increase in the interim dividend to 8.2 pence per share (H1 2018: 6.8 pence per share) payable on 11 January 2019 to shareholders on the register as at 7 December 2018.

## Review of Operations

### UK Division

The UK Division delivered a strong first half with operating profits before amortisation 21% ahead at £26.9 million (H1 2018: £22.2 million) on revenues up 46% at £175.3 million (H1 2018: £120.3 million), including a £39.4 million contribution from Brandon.

The division experienced continued strong demand from its rail, transmission and water infrastructure markets benefitting our Groundforce, TPA and Torrent Trackside businesses. Residential construction remained supportive and enhanced by significant customer wins for UK Forks. The general UK construction market remained broadly supportive to our specialist tool hire division.

Twelve months after the acquisition we are pleased to report good progress at Brandon Hire, which is now integrated with the Hire Station tool hire business and is performing in line with the Board's expectations. We expect full integration to be completed within 12 months.

### International Division

Operating profits before amortisation moved ahead in the period to £1.3 million (H1 2018: £0.3 million) on revenues ahead by 14% at £17.9 million (H1 2018: £15.7 million).

These results reflect a further good performance from TR including encouraging progress from the newer locations in Malaysia and Singapore.

Airpac Bukom benefitted from marginally improved activity in the oil and gas market including a good contribution from our European operations. Several LNG contracts in Australia completed in the period and we have had some success in replacing this work with alternative revenue streams across the Asia Pacific region.

### Outlook

The Group has produced yet another excellent set of results with revenues, profits and earnings per share all significantly ahead. Both our UK and International Divisions have performed strongly with most of our business units busy supporting stable end markets. In the UK Division, whilst Brexit continues to be a distraction, day to day activity seems to be continuing largely unaffected.

With the benefit of a strong first half, which includes an in line contribution from Brandon Hire, we look forward to the remainder of the year, and beyond, with every confidence.

**Jeremy Pilkington**
**Chairman**
**27 November 2018**

The Equipment Rental Specialist

# Condensed Consolidated Income Statement

For the period ended 30 September 2018

| | Note | **Six months to 30 Sept 2018 (unaudited) £000** | Six months to 30 Sept 2017 (unaudited) £000 | Full year to 31 Mar 2018 (audited) £000 |
|---|---|---|---|---|
| **Revenue** | 3 | **193,211** | 135,992 | 303,639 |
| Cost of sales | | **(146,101)** | (98,083) | (229,477) |
| **Gross profit** | | **47,110** | 37,909 | 74,162 |
| Administrative expenses | | **(20,917)** | (16,315) | (39,927) |
| **Operating profit** | 3 | **26,193** | 21,594 | 34,235 |
| Net financial expenses | | **(2,325)** | (1,284) | (3,421) |
| Profit before exceptionals, amortisation and taxation | | **25,853** | 21,155 | 40,597 |
| Amortisation and impairment | | **(1,985)** | (845) | (8,101) |
| Exceptional items | | **-** | - | (1,682) |
| **Profit before taxation** | | **23,868** | 20,310 | 30,814 |
| Income tax expense | 4 | **(4,752)** | (3,602) | (6,448) |
| **Net profit for the period** | | **19,116** | 16,708 | 24,366 |
| Basic earnings per share | 7 | **48.26p** | 42.49p | 61.72p |
| Diluted earnings per share | 7 | **46.38p** | 41.21p | 60.95p |
| Dividend per share | 8 | **8.20p** | 6.80p | 26.00p |

# Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 September 2018

| | **Six months to 30 Sept 2018 (unaudited)** | Six months to 30 Sept 2017 (unaudited) | Full year to 31 Mar 2018 (audited) |
|---|---|---|---|
| | **£000** | £000 | £000 |
| **Profit for the period** | **19,116** | 16,708 | 24,366 |
| **Other comprehensive income:** | | | |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Actuarial gains on defined benefit pension scheme | **-** | - | 275 |
| Tax on items taken direct to equity | **-** | - | (50) |
| Impact of tax rate change | **-** | - | (65) |
| ***Items that may be subsequently reclassified to profit or loss*** | | | |
| Foreign exchange translation difference | **667** | (264) | (900) |
| Effective portion of changes in fair value of cash flow hedges | **(194)** | 356 | 444 |
| **Other comprehensive income/(expense)** | **473** | 92 | (296) |
| **Total comprehensive income for the period** | **19,589** | 16,800 | 24,070 |

# Condensed Consolidated Statement of Changes in Equity

For the period ended 30 September 2018

| | **Six months to 30 Sept 2018 (unaudited)** | Six months to 30 Sept 2017 (unaudited) | Full year to 31 Mar 2018 (audited) |
|---|---|---|---|
| | **£000** | £000 | £000 |
| **Total comprehensive income for the period** | **19,589** | 16,800 | 24,070 |
| Tax movements to equity | **1,060** | 172 | 444 |
| Impact of tax rate change | **-** | (20) | (25) |
| Share option charge in the period | **1,339** | 1,158 | 2,446 |
| Net movement relating to shares held by Vp Employee Trust | **(2,029)** | (920) | (822) |
| Dividends to shareholders | **(7,606)** | (6,286) | (8,983) |
| **Change in equity during the period** | **12,353** | 10,904 | 17,130 |
| Equity at the start of the period | **154,446** | 137,316 | 137,316 |
| **Equity at the end of the period** | **166,799** | 148,220 | 154,446 |

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

The Equipment Rental Specialist

# Condensed Consolidated Balance Sheet

At 30 September 2018

| | Note | 30 Sept 2018 (unaudited) £000 | 31 Mar 2018 (audited) £000 | 30 Sept 2017 (unaudited) £000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 5 | **251,882** | 241,938 | 211,805 |
| Goodwill | 6 | **60,546** | 60,355 | 41,380 |
| Intangible assets | 6 | **29,167** | 31,122 | 8,689 |
| Employee benefits | | **2,230** | 2,230 | 1,928 |
| **Total non-current assets** | | **343,825** | 335,645 | 263,802 |
| **Current assets** | | | | |
| Inventories | | **8,017** | 8,662 | 6,328 |
| Trade and other receivables | | **82,377** | 70,915 | 57,040 |
| Cash and cash equivalents | 9 | **15,508** | 18,194 | 17,129 |
| **Total current assets** | | **105,902** | 97,771 | 80,497 |
| **Total assets** | | **449,727** | 433,416 | 344,299 |
| **Current liabilities** | | | | |
| Interest bearing loans and borrowings | 9 | **(7,784)** | (10,218) | (8,924) |
| Income tax payable | | **(3,447)** | (2,365) | (3,001) |
| Trade and other payables | | **(67,238)** | (69,899) | (53,892) |
| **Total current liabilities** | | **(78,469)** | (82,482) | (65,817) |
| **Non-current liabilities** | | | | |
| Interest bearing loans and borrowings | 9 | **(195,960)** | (187,148) | (123,596) |
| Deferred tax liabilities | | **(8,499)** | (9,340) | (6,666) |
| **Total non-current liabilities** | | **(204,459)** | (196,488) | (130,262) |
| **Total liabilities** | | **(282,928)** | (278,970) | (196,079) |
| **Net assets** | | **166,799** | 154,446 | 148,220 |
| **Equity** | | | | |
| Issued share capital | | **2,008** | 2,008 | 2,008 |
| Capital redemption reserve | | **301** | 301 | 301 |
| Share premium | | **16,192** | 16,192 | 16,192 |
| Foreign currency translation reserve | | **380** | (287) | 349 |
| Hedging reserve | | **97** | 291 | 203 |
| Retained earnings | | **147,794** | 135,914 | 129,140 |
| **Total equity attributable to equity holders of parent** | | **166,772** | 154,419 | 148,193 |
| **Non-controlling interest** | | **27** | 27 | 27 |
| **Total equity** | | **166,799** | 154,446 | 148,220 |

# Condensed Consolidated Statement of Cash Flows

For the period ended 30 September 2018

| | Note | **Six months to 30 Sept 2018 (unaudited) £000** | Six months to 30 Sept 2017 (unaudited) £000 | Full year to 31 Mar 2018 (audited) £000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit before taxation | | **23,868** | 20,310 | 30,814 |
| Adjustment for: | | | | |
| Share based payment charges | | **1,339** | 1,158 | 2,446 |
| Depreciation | 5 | **23,451** | 18,659 | 40,319 |
| Amortisation and impairment of intangibles | | **1,985** | 845 | 8,101 |
| Net financial expense | | **2,325** | 1,284 | 3,421 |
| Profit on sale of property, plant and equipment | | **(3,084)** | (3,229) | (6,095) |
| **Operating cash flow before changes in working capital and provisions** | | **49,884** | 39,027 | 79,006 |
| Decrease/(increase) in inventories | | **617** | (177) | (1,049) |
| Increase in trade and other receivables | | **(11,462)** | (5,483) | (6,225) |
| (Decrease)/increase in trade and other payables | | **(3,560)** | (4,796) | 1,907 |
| **Cash generated from operations** | | **35,479** | 28,571 | 73,639 |
| Interest paid | | **(2,336)** | (1,192) | (3,190) |
| Interest element of finance lease rental payments | | **(117)** | (90) | (213) |
| Interest received | | **91** | 6 | 75 |
| Income tax paid | | **(3,451)** | (2,663) | (7,014) |
| **Net cash flows from operating activities** | | **29,666** | 24,632 | 63,297 |
| **Cash flows from investing activities** | | | | |
| Proceeds from sale of property, plant and equipment | | **9,850** | 8,694 | 18,518 |
| Purchase of property, plant and equipment | | **(39,194)** | (32,646) | (71,571) |
| Acquisition of businesses and subsidiaries (net of cash and overdrafts) | | **-** | (8,185) | (49,660) |
| **Net cash flows used in investing activities** | | **(29,344)** | (32,137) | (102,713) |
| **Cash flows from financing activities** | | | | |
| Purchase of own shares by Employee Trust | | **(2,029)** | (920) | (822) |
| Repayment of loans | | **-** | (77) | (29,036) |
| New loans | | **9,000** | 15,000 | 79,000 |
| New finance leases | | **108** | - | 348 |
| Payment of hire purchase and finance lease liabilities | | **(880)** | (551) | (1,275) |
| Dividends paid | 8 | **(7,606)** | (6,286) | (8,983) |
| **Net cash flows (used in)/from financing activities** | | **(1,407)** | 7,166 | 39,232 |
| Net decrease in cash and cash equivalents | | **(1,085)** | (339) | (184) |
| Effect of exchange rate fluctuations on cash held | | **249** | (160) | (395) |
| Cash and cash equivalents at beginning of period | | **9,503** | 10,082 | 10,082 |
| **Cash and cash equivalents at end of period** | 9 | **8,667** | 9,583 | 9,503 |

The Equipment Rental Specialist

# Notes to the Condensed Financial Statements

## 1. Basis of Preparation

Vp plc (the “Company”) is incorporated and domiciled in the United Kingdom. The Condensed Consolidated Interim Financial Statements of the Company for the half year ended 30 September 2018 consolidate the financial information of the Company and its subsidiaries (together referred to as the “Group”).

This interim announcement has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and the requirements of IAS34 (“Interim Financial Reporting”) as adopted by the EU. With the exception of the new standards below, the accounting policies applied are consistent for all periods presented and are in line with those applied in the annual financial statements for the year ended 31 March 2018, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU.

New accounting standards became applicable for the current reporting period and the Group changed its accounting policies as a result of adopting the following standards: IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers.* The impact of the adoption of these standards and the new accounting policies are disclosed in note 11.

In addition, the group is in the process of reviewing IFRS 16 Leases. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Group has not yet determined to what extent the new standard will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

The interim announcement was approved by the Board of Directors on 26 November 2018.

The Condensed Consolidated Interim Financial Statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The comparative figures for the financial year ended 31 March 2018 are extracted from the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018 except as described in note 11.

The Group continues to be in a healthy financial position with total banking facilities at the period end of £207.5 million, including an overdraft facility. Since the year end net debt has increased by £9.0 million to £188.2 million. The Board has evaluated the banking facilities and the associated covenants on the basis of current forecasts, taking into account the current economic climate and an appropriate level of sensitivity analysis. Having reassessed the principal risks the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

## 2. Risks and Uncertainties

The principal risks and uncertainties facing the Group and the ways in which they are mitigated are described on page 18 and 19 of the 31 March 2018 Annual Report and Accounts. The principal risks and uncertainties are market risk, competition, investment / product management, people, safety, financial risks and contractual risk. These risks and uncertainties remain the same for this interim financial report.

# Notes to the Condensed Financial Statements

## 3. Summarised Segmental Analysis

| | Revenue | | | Operating Profit Before Amortisation | | |
|---|---|---|---|---|---|---|
| | **Sept 2018** | Sept 2017 | Mar 2018 | **Sept 2018** | Sept 2017 | Mar 2018 |
| | **£000** | £000 | £000 | **£000** | £000 | £000 |
| UK | **175,338** | 120,299 | 271,989 | **26,912** | 22,178 | 43,001 |
| International | **17,873** | 15,693 | 31,650 | **1,266** | 261 | 1,017 |
| | **193,211** | 135,992 | 303,639 | **28,178** | 22,439 | 44,018 |

| | Sept 2018 | Sept 2017 | Mar 2018 |
|---|---|---|---|
| Amortisation | **(1,985)** | (845) | (8,101) |
| Exceptional items | **-** | - | (1,682) |
| Operating Profit | **26,193** | 21,594 | 34,235 |

| | Assets | | | Liabilities | | | Net Assets | | |
|---|---|---|---|---|---|---|---|---|---|
| ***Net Assets*** | **Sept 2018** | Mar 2018 | Sept 2017 | **Sept 2018** | Mar 2018 | Sept 2017 | **Sept 2018** | Mar 2018 | Sept 2017 |
| | **£000** | £000 | £000 | **£000** | £000 | £000 | **£000** | £000 | £000 |
| UK | **410,368** | 396,608 | 300,825 | **276,787** | 274,505 | 192,357 | **133,581** | 122,103 | 108,468 |
| International | **39,359** | 36,808 | 43,474 | **6,141** | 4,465 | 3,722 | **33,218** | 32,343 | 39,752 |
| | **449,727** | 433,416 | 344,299 | **282,928** | 278,970 | 196,079 | **166,799** | 154,446 | 148,220 |

## 4. Income Tax

The effective tax rate is 19.9% in the period to 30 September 2018 (H1 2018: 17.7%). The effective rate for the period reflects the current standard tax rate of 19% (H1 2018: 19%), as adjusted for estimated permanent differences for tax purposes offset by gains covered by exemptions. This is the best estimate of the weighted average annual income tax rate expected for the full financial year.

## 5. Property, Plant and Equipment

| | **Sept 2018** | Mar 2018 | Sept 2017 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| Opening carrying amount | **241,938** | 195,569 | 195,569 |
| Additions | **39,935** | 71,412 | 34,929 |
| Acquisitions | **(115)** | 28,337 | 5,549 |
| Depreciation | **(23,451)** | (40,319) | (18,659) |
| Disposals | **(6,766)** | (12,423) | (5,465) |
| Effect of movements in exchange rates | **341** | (638) | (118) |
| Closing carrying amount | **251,882** | 241,938 | 211,805 |

The value of capital commitments at 30 September 2018 was £13,803,000 (31 March 2018: £8,349,000).

## 6. Business Combinations

As previously disclosed, the Group acquired Brandon Hire during the year ended 31 March 2018. During the measurement period, the fair value of the assets acquired and liabilities assumed are provisional while management finalise the fair value assessment.

There were no acquisitions in the interim period.

The Equipment Rental Specialist

# Notes to the Condensed Financial Statements

**7. Earnings Per Share**

Earnings per share have been calculated on 39,608,968 shares (H1 2018: 39,319,346 shares) being the weighted average number of shares in issue during the period. Diluted earnings per share have been calculated on 41,215,948 shares (H1 2018: 40,546,052 shares) adjusted to reflect conversion of all potentially dilutive ordinary shares. Basic earnings per share before the amortisation of intangibles was 52.32 pence (H1 2018: 44.23 pence) and was based on an after tax add back of £1,608,000 (H1 2018: £684,000) in respect of the amortisation of intangibles. Diluted earnings per share before amortisation of intangibles was 50.28 pence (H1 2018: 42.90 pence).

**8. Dividends**

The Directors have declared an interim dividend of 8.20 pence (H1 2018: 6.80 pence) per share payable on 11 January 2019 to shareholders on the register at 7 December 2018. The dividend declared will absorb an estimated £3,247,000 (H1 2018: £2,697,000) of shareholders funds. The dividend proposed at the year-end was subsequently approved at the AGM in August 2018 and £7,606,000 was paid in the period (H1 2018: £6,286,000 was paid). The cost of dividends in the Statement of Changes in Equity is after adjustments for the interim and final dividends waived by the Vp Employee Trust in relation to the shares it holds for the Group's share option schemes.

**9. Analysis of Net Debt**

| | As at 1 Apr 2018 £000 | Cash Flow £000 | As at 30 Sept 2018 £000 |
|---|---|---|---|
| Cash and cash equivalents | 18,194 | (2,686) | 15,508 |
| Bank overdraft | (8,691) | 1,850 | (6,841) |
| Revolving credit facilities/loans | (186,000) | (9,000) | (195,000) |
| Finance leases and hire purchases | (2,675) | 772 | (1,903) |
| | (179,172) | (9,064) | (188,236) |

The Group's committed revolving credit bank facilities comprise a £65 million facility which expires in May 2020 and a £135 million facility which expires in December 2021, together with overdraft facilities totalling £7.5 million.

**10. Related Party Transactions**

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

**11. Changes in Accounting Policies**

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the Group's consolidated financial statements.

**(a) IFRS 9 *Financial Instruments***

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

## 11. Changes in Accounting Policies (continued)

### (a) IFRS 9 *Financial Instruments* *(continued)*

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

### (b) IFRS 15 *Revenue from Contracts with Customers*

The Group adopted IFRS 15 from 1 April 2018 which did not result in significant changes to the Group's accounting policies and had no impact to the amounts recognised in the consolidated financial statements. Below summarises the disaggregation of revenue from contracts with customers from the total revenue disclosed in the Condensed Consolidated Income Statement:

| | **Sept 2018** | Sept 2017 | Mar 2018 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| Equipment hire | **146,070** | 105,482 | 234,735 |
| Services | **30,680** | 20,854 | 44,260 |
| Sales of goods | **16,461** | 9,656 | 24,644 |
| Total revenue | **193,211** | 135,992 | 303,639 |

*(i)* *Equipment hire* – Revenue from equipment hire, which is the vast majority of Group revenue, is not affected by the adoption of IFRS 15 and is accounted for under the leasing standard, IAS 17.

*(ii)* *Services* – Revenue from providing services is recognised in the accounting period in which the services are rendered, the majority of which are short term and a very immaterial proportion bridge a financial period end. Any increases or decreases in estimated revenues or costs arising from changed circumstances are reflected in profit in the period in which they become known by management. Customers are invoiced on an agreed upon basis and consideration is payable when invoiced.

*(iii)* *Sales of goods* – Revenue from the sales of goods primary relates to consumables and new machine sales. Revenue is recognised when a Group entity sells a consumable to the customer or when control of the new machine has transferred ownership to the buyer upon delivery. Depending on the type of sale, a receivable is recognised when the goods are delivered or due immediately.

## 12. Contingent Liabilities

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

# Notes to the Condensed Financial Statements

**13. Forward Looking Statements**

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

**14. Alternative Performance Measures**

(i) All performance measures stated as before amortisation are also before impairment of intangibles.

(ii) Basic earnings per share pre amortisation and exceptionals is reconciled to basic earnings per share in note 7.

(iii) Profit before tax, amortisation and exceptionals is reconciled to profit before tax in the Income Statement.

(iv) Return on average capital employed is based on profit before tax, interest, amortisation and exceptionals divided by average capital employed on a monthly basis using the management accounts. Profit before tax, interest, amortisation and exceptionals is reconciled to profit before interest and tax in the Income Statement.

# Notes to the Condensed Financial Statements

## Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed consolidated set of interim financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the *Disclosure and Transparency Rules,* being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

**By order of the Board**
**27 November 2018**

**The Board**

The Directors who served during the six months to 30 September 2018 were:

- Jeremy Pilkington (Chairman)
- Neil Stothard (Chief Executive)
- Allison Bainbridge (Group Finance Director)
- Steve Rogers (Non-executive Director)
- Phil White (Non-executive Director)

# Notes to the Condensed Financial Statements

## Independent Review Report to Vp plc

### Report on the Condensed Consolidated Interim Financial Statements

#### Our conclusion

We have reviewed Vp plc's Condensed Consolidated Interim Financial Statements (the "interim financial statements") in the interim report 2018/19 of Vp plc for the 6 month period ended 30 September 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

#### What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Balance Sheet as at 30 September 2018;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim report 2018/19 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

### Responsibilities for the interim financial statements and the review

#### Our responsibilities and those of the directors

The interim report 2018/19, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report 2018/19 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim report 2018/19 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report 2018/19 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

**PricewaterhouseCoopers LLP**
Chartered Accountants, Leeds
**27 November 2018**