For immediate release **7 June 2023**

Vp plc
('Vp', the 'Group' or the 'Company')

Final Results

Resilient Performance

Vp plc, the equipment rental specialist, today announces its audited Final Results for the year ended 31 March 2023.

Financial Highlights

	31 March 2023	31 March 2022	**% change**
Revenues (£m)	**371.5**	350.9	**+6%**
Adjusted profit before tax, amortisation, impairment of intangible assets and exceptional items* (£m)	**40.5**	38.9	**+4%**
Return on average capital employed*	**14.4%**	14.5%	
Capital investment in rental fleet (£m)	**59.9**	59.8	**0%**
Net debt excluding lease liabilities* (£m)	**134.4**	130.6	**+3%**
Exceptional items	**5.0**	-	**-**
Adjusted basic EPS before amortisation, impairment of intangible assets and exceptional items* (pence)	**79.0**	71.2	**+11%**
Proposed final dividend (pence per share)	**26.5**	25.5	**+4%**
Dividend for the year (pence per share)	**37.5**	36.0	**+4%**
Statutory profit before taxation (£m)	**30.7**	35.6	
Statutory earnings per share (pence)	**58.1**	64.5	
Profit before tax, amortisation, impairment of intangible assets and exceptional items (£m)	**40.2**	38.9	**+3%**

* These measures are explained and reconciled in the Alternative Performance Measures section below.

Operational Highlights

- Revenue growth of 6% reflects a resilient performance
- High quality of earnings highlighted by the return on average capital employed
- Experienced solid demand from rail, transmission and the water sectors in the UK's infrastructure markets
- Fleet capex maintained with increased disposals in markets where growth has slowed
- Secured cost efficiencies whilst restructuring several business units
- Strong balance sheet. Gearing and interest cover well within covenants
- ESG progress
    - Additional investment in the rental fleet to introduce cleaner, greener product solutions for customers
    - Achieved ISO 50001 energy management standard across all of the Group's UK network

Outlook / Current Trading

- Markets remain stable into the new financial year
- A strong balance sheet leaves the Group well placed for growth in the UK and Internationally
- Investment in business infrastructure; people, rental fleet and property to position the Group to deliver further growth
- Supportive infrastructure market outlook in the UK with expected recovery to growth after a flat 2022 driven by Rail, AMP7 (water), Hinkley Point and Transmission capital investment
- Non-residential new construction segment forecasting modest improvement and Repair and Maintenance is anticipated to be stable
- International businesses experiencing improving trading conditions. Markets including mining, oil and gas, construction and outdoor events, should be supportive in the current financial year.

Commenting on the Final Results, Jeremy Pilkington, Chairman of Vp plc, said: "We are pleased to report another solid year of trading with good progress made across all key metrics, with the Group successfully navigating a highly volatile macroeconomic backdrop.

"The Group's return on average capital employed of 14.4% continues to demonstrate our excellent quality of earnings and resilience in times of supply chain disruption and slowing growth in some markets. In line with our dividend policy and underpinning our confidence in the business, we are pleased to propose a final dividend of 26.5 pence per share, making a total for the year of 37.5 pence.

"We remain confident that the Group will continue to provide shareholders with an attractive level of returns. Vp has an excellent track record and we believe the current market challenges will bring into view profitable growth opportunities."

Neil Stothard, Chief Executive of Vp plc, added: "Despite the macro-economic conditions that continue to impact some of our core markets, we are pleased that our performance has remained consistent and in line with the Board's expectations.

"Our revenue rose by 6% during the year to £371.5 million, providing some comfort that the Group can progress in a challenging market. The increase was driven both by improving trading conditions in our international businesses, particularly in South East Asia, Australia and New Zealand, and in addition to good progress made in the UK and Europe.

"Whilst some macro-economic volatility remains, we are confident that the Group will continue to deliver on its objectives of driving demand for products and services and increasing revenues and profitability."

Analyst meeting

A meeting for analysts will be held in person at **9.00am** today, Wednesday 7 June 2023, at Buchanan, 107 Cheapside, London EC2V 6DN. A copy of the presentation will be made available at the Group's website: https://www.vpplc.com/investors

- Ends -

The information contained in this announcement is deemed by the Company to constitute inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR", and is disclosed in accordance with the Company's obligations under Article 17 of MAR. Upon publication of this announcement via a Regulatory Information Service, this insider information is considered to be in the public domain.

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The person responsible of the arrangement for the release of this announcement on behalf of Vp plc is Anna Bielby, Chief Financial Officer.

CHAIRMAN'S STATEMENT

I am very pleased to report on a year of solid progress against a background of stable but occasionally challenging markets.

For the year to 31 March 2023, adjusted profit before tax, amortisation, impairment of intangible assets and exceptional items* rose by 4% to £40.5 million (2022: £38.9 million) on revenue ahead 6% to £371.5 million (2022: £350.9 million). Adjusted EBITDA* improved to £92.9 million (2022: £88.9 million).

Capital investment in the rental fleet was £59.9 million (2022: £59.8 million) as we responded to specific investment opportunities and our continued transition towards more environmentally friendly solutions. Supply chain challenges eased somewhat during the year, although localised bottlenecks are still present in certain areas.

Year-end net debt excluding lease liabilities* was £134.4 million (2022: £130.6 million).

Return on average capital employed* was 14.4% (2022: 14.5%) in line with our long term target, an excellent result which reflects once again the underlying quality of the Group's earnings. Adjusted earnings per share* of 79.0 pence per share (2022: 71.2 pence per share) grew faster than profit due to the impact of deferred tax re-measurements discussed in note 5 below.

At the AGM, scheduled to be held on 20 July 2023, the Board will be recommending payment of a final dividend of 26.5 pence per share (2022: 25.5 pence per share) making a total for the year of 37.5 pence per share (2022: 36.0 pence per share). Subject to shareholder approval, it is proposed to pay the final dividend on 4 August 2023 to members registered at 23 June 2023. This proposed level of dividend is based on our policy to distribute on a two times covered earnings basis over the cycle.

In April 2022, at the request of the controlling shareholder, Ackers. P. Investment Company Limited, the Board launched a formal sales process. Although significant interest was forthcoming, the Board unanimously concluded that none of the proposals would meet the Board's objectives of delivering an outcome that would satisfy the interests of all stakeholders. Termination of the process was announced on 16 August 2022. The process incurred exceptional costs of £1.7 million. Throughout the process, we continued to run in a "business as usual" mode and I am pleased to report that we have not observed any negative consequences from the process, either internally or externally.

Whilst the Covid-19 pandemic is thankfully behind us, it has impacted much of the business landscape within which we operate. This has made recovery more hesitant in certain markets than we had originally expected but nevertheless the Group has made further progress this year.

During the year, both Steve Rogers and Allison Bainbridge retired from the Board after 13 and 11 years respectively with the Group. It is my pleasure to extend a heartfelt thanks to both for their exemplary service and to wish them a long and enjoyable retirement.

It is also my pleasurable duty to welcome three new members to the Board. Anna Bielby joined on 1 January 2023 as our new Chief Financial Officer and brings deep and relevant experience to the role. Mark Bottomley and Stuart Watson joined the board as Non-Executive Directors at the same time with Stuart assuming the role of Audit Chairman to replace the retiring Steve Rogers. Mark will, at the AGM, assume the role of Remuneration Committee Chairman, succeeding Phil White who remains on the Board. We look forward to enjoying the benefit of the experience and new insights that these appointments will bring.

We have a successful long term track record of meeting and overcoming economic challenges and we believe we can identify profitable growth opportunities to continue to deliver the sector leading results our stakeholders have come to expect.

It remains my great pleasure to thank all our employees for their hard work and commitment that has made these results very satisfactory.

Jeremy Pilkington
Chairman
7 June 2023

* These measures are explained and reconciled in the Alternative Performance Measures section below.

BUSINESS REVIEW

OVERVIEW

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

	Year ended 31 March 2023	Year ended 31 March 2022
Revenue	**£371.5 million**	£350.9 million
Adjusted operating profit before amortisation, impairment of intangible assets and exceptional items*	**£46.0 million**	£43.3 million
Adjusted operating margin*	**12.4%**	12.3%
Investment in rental fleet	**£59.9 million**	£59.8 million
Return on average capital employed*	**14.4%**	14.5%
Statutory operating profit	**£39.3 million**	£43.0 million

* These measures are explained and reconciled in the Alternative Performance Measures section below.

The year to 31 March 2023 was a period of further positive development for Vp. In spite of significant macro-economic headwinds, the Group delivered tangible progress as we proactively evolved the business in response to those trading conditions and with many of our core markets maintaining demand during the period.

Group adjusted operating profit before amortisation, impairment of intangible assets and exceptional items* increased by 6% to £46.0 million compared with prior year of £43.3 million. Adjusted operating margin* held up well, increasing to 12.4% (2022: 12.3%). Maintaining margin is particularly pleasing given the significant supply chain cost inflation experienced throughout the year. This resilience illustrates our ability to react quickly to changing circumstances and to protect the quality of our profits through a combination of price increases to customers, efficient operational management and a keen eye on costs. Group revenue also grew by 6% to £371.5 million (2022: £350.9 million). The increased revenue was derived from a combination of price increases and activity growth from certain of our markets.

Our Return on Average Capital Employed* (ROACE) continues to be strong at 14.4% (2022: 14.5%) and close to our long term, through the cycle, ROACE target of 15%.

Maintaining a modern and reliable rental fleet, including the widespread introduction of cleaner, greener product solutions remains a key driver of our capital investment programme. Gross investment in rental fleet of £59.9 million was at a similar level to prior year of £59.8 million. Fleet disposals proceeds were £24.6 million (2022: £17.4 million). Net capital expenditure therefore reduced to £35.3 million (2022: £42.4 million). The disposal of fleet in the year generated profits on disposal of £9.1 million (2022: £7.0 million).

We entered the period under review with healthy order books for new capital investment, partially to support growth and partially as replacement of products retiring from the hire fleet in the normal life cycle. Supply chains were particularly challenging in terms of lead times as well as cost and we sought to maximise our opportunity with some pre-emptive ordering. In response to those markets where the rate of growth slowed, we subsequently reduced fleet capex in the second half of the year and increased disposals.

Our fleet capex included a large proportion (£15 million) of more environmentally friendly products which replaced, in many cases, petrol / diesel driven alternatives.

The Group experienced relatively consistent, but differing conditions in its core markets. Both the UK and International divisions made good progress. Our UK performance was positive, despite generally weaker confidence in the wider economy. Our International businesses particularly in South East Asia, Australia and New Zealand experienced better trading conditions with an overall improving outlook.

The infrastructure markets in the UK remained generally supportive and we experienced solid demand from rail, transmission and the water sectors in particular. After a strong performance with HS2 in the prior year, the slowdown of workstreams during 2022 translated into lower levels of activity on this project.

Our other large market exposure is in general non-residential construction where demand remained relatively stable but still lacking any further signs of tangible recovery. In house building, we enjoyed good demand throughout most of the year. Into the new calendar year residential construction slowed a little but this has stabilised as we enter our new financial year, and we remain optimistic about longer term prospects in this sector.

The Group’s operating profit before amortisation, impairment and exceptional items* was primarily sourced in the UK division, but the International division made good progress year on year.

Towards the end of the financial year, we carried out some restructuring across a number of our business units where we had identified tangible efficiency opportunities. These actions incurred £3.3 million of exceptional costs in the year mostly relating to properties and should help deliver further improvement in Group performance in the new financial year.

We have two business units (Groundforce and TPA) that also operate in mainland Europe and the Republic of Ireland, which report into the UK division. Their respective contributions are included within the UK divisional result. If we look at the Group’s trading outside of the UK, and take into consideration the European business units, revenues were £63.3 million (2022: £50.9 million) which represents an increase of 24% in the year. The overall geographic source of revenue for the Group was split 83% from the UK, and 17% from outside of the UK.

UK DIVISION

	Year ended 31 March 2023	Year ended 31 March 2022
Revenue	**£333.4 million**	£320.2 million
Adjusted operating profit before amortisation, impairment of intangible assets and exceptional items*	**£42.9 million**	£41.8 million
Investment in rental fleet	**£53.6 million**	£55.2 million

* This measure is explained and reconciled in the Alternative Performance Measures section below.

Adjusted operating profits before amortisation, impairment of intangible assets and exceptional items* in the UK division increased to £42.9 million compared with £41.8 million prior year. Revenue of £333.4 million (2022: £320.2 million) were 4% up on prior year.

The UK division, comprises seven main business units: **UK Forks, Groundforce, TPA, Brandon Hire Station, ESS, MEP and Torrent Trackside.** Whilst mainly operating in the UK, TPA and Groundforce also have operations in mainland Europe, primarily in Germany, Austria and the Republic of Ireland. All of the UK divisions support the three core market sectors of infrastructure, construction and housebuilding. The following section comments on the highlights and key actions for these UK business units during the year.

UK Forks made further progress in the year. Whilst revenue growth was modest, careful management of the fleet and the operational cost base enabled the division to deliver good year on year profit growth. UK Forks encountered the same cost inflation challenges as elsewhere in the Group and management protected margin through a combination of increased hire rates, keen asset management, including disposing of surplus equipment, and strong control over spares and overhead costs. The residential construction sector held up well until the final quarter of the financial year when there was a small step down in demand which quickly stabilised at new levels of activity. The business took the opportunity in the fourth quarter to accelerate disposal of surplus rental fleet as utilisation, which had been running extremely high, eased to a more normalised level. A customer first approach has continued to pay off as the long-standing relationships with our core customers including the national house builders were maintained in the year. During the period the overall fleet size by number increased by 6% though this was primarily in the first half of the year. Whilst market demand has marginally reduced into the new financial year, the business is operationally geared up to that change and we remain confident of making further progress despite some elements of market weakness.

The **Groundforce UK & Ireland** business enjoyed good levels of demand driven by a generally more buoyant civil engineering sector. Groundforce UK & Ireland comprises a number of constituent specialist activities, the largest of which is the UK Shoring division. This business benefitted from growing demand from general infrastructure schemes including Hinkley Point, HS2 and AMP7, although the latter was a little quieter than had been anticipated. Groundforce secured preferred supplier status to Scottish Water on their SR21 five year capital investment programme. This work should contribute into the new financial year. Whilst revenues grew 10% year on year, this was primarily from increased utilisation of existing fleet and hire rate improvement, with fleet capex flat year on year. The business continued to innovate and successfully introduced Side Grip hammers to the piling rental fleet providing quicker installation of pile sheets and enhancing health and safety benefits. The shoring specification app 'Your Solution' was developed further in the period and experienced strong customer acceptance as a self-serve preliminary design tool. Prospects for the new year remain good with ongoing demand from major infrastructure projects and the expectation of further activity in the water sector particularly with Scottish Water.

The **Groundforce Europe** business had an excellent year reporting its best ever performance, driven by traditional core shoring rental in Germany and complemented by a range of major excavation support projects in Germany, Austria, France and Scandinavia. The business, which was a greenfield start up in Germany some years ago, has secured increasing brand recognition and a growing acceptance of the hydraulic solutions offered by the Groundforce fleet. On the back of a strong trading year we intend to invest in the infrastructure of the business creating a platform for further successful growth in supportive markets.

TPA UK had a quieter trading year primarily due to a significant slowdown in HS2 activity, after enjoying buoyant demand from Phase1 of the project in the prior year. In addition, as a result of the energy crisis heading into the winter the National Grid delayed outage work, a key area of demand for TPA, to minimise the risk of energy supply shortages. This resulted in a transmission sector slowdown over the winter. Despite these unexpected challenges, the TPA team made significant progress in sourcing alternative work in the construction and outdoor events segments in particular, and these mitigated much of the shortfall. Investment in fleet focused on innovation with the introduction of a new wider aluminium track panel offering increased flexibility and efficiency to both the customer and the TPA operations team. Innovation in technology was also a feature with the launch of an app which simplifies the measurement and quotation process when specifying an access solution at a site. A further initiative was the introduction of an online carbon calculator which identifies the lower carbon impact of utilising a portable roadway access solution in comparison to a traditional stone road construction solution. Looking into the new financial year, TPA anticipates improving demand in both transmission and HS2 work to complement activity in the construction, rail and outdoor event markets.

The **TPA Europe** business had a more challenging year, primarily due to significant increases in supply chain costs particularly in transport, together with some temporary shortfalls in staffing due to a difficult employment market. The target markets of transmission and renewables remain positive. Moving into the new financial year, the business is in a good position to embrace the opportunities those markets offer. Geographically, TPA Europe operates in Germany and Austria. We anticipate an improved trading environment for the TPA Europe business in the new financial year.

Brandon Hire Station, the market leader for tool hire within the UK, delivered modest year on year revenue growth against a relatively difficult market backdrop. Whilst operating across all three of Vp’s largest market segments i.e. construction, infrastructure and housebuilding, it is most exposed to the non-residential construction market which remains subdued and in relative terms more impacted by the overall economic uncertainty. The business increased prices by c.10% at the beginning of the calendar year by way of mitigating cost inflation in the business. Brandon Hire Station made modest changes to its branch network merging / closing five branches reducing the overall branch count to just under 150. Brandon Hire Station signed a five year exclusive trading agreement with Watkin Jones plc, the Build to Rent and Student accommodation Group together with securing a number of other long standing key account renewals.

Capital investment in fleet was strong in the first half but slowed as demand eased during the year. A transition to a cleaner, greener fleet has been a consistent focus for fleet investment and as usual the routine retirement of older, less environmentally friendly rental assets has been an important contributor to the process. Innovations have included the launch of a solar powered charging station for use on construction sites which was developed in collaboration with a number of partners and has received positive reviews. As we head into the new financial year the construction market remains relatively subdued but we are nevertheless keenly focused on securing additional revenue growth through a wide range of initiatives.

The **ESS** division had a satisfactory trading year and maintained its market leading status in safety, survey and test & measurement providing a vital support service to the infrastructure and industrial markets in particular. The year started relatively slowly, but built up well delivering year on year revenue growth. ESS re-structured to a de-centralised management structure in four regions aimed at creating a better focus and proximity to the customer from an operational view. This will deliver significant cost savings. As elsewhere in the Group, ESS had to combat high cost inflation and mitigated this in part through negotiated price increases across the customer base. The management team was further strengthened by the appointment of a new sales director and test & measurement director as ESS target growth into the new financial year.

MEP made substantive progress in the year delivering further revenue and profit growth from the busy but stable mechanical, electrical and plumbing sectors. The business continued to develop operationally with the relocation in Manchester to a new 35,000 sq.ft facility. We also relocated the Glasgow central hire desk to a bespoke location and at the same time embraced the Zendesk call centre technology which is increasingly used across the Vp Group. MEP acquired M&S Hire at the end of 2021 with a view to expanding its service offer to the commercial fit out sector, initially in London and subsequently on a national basis. This is developing well. MEP have a track record of introducing new and innovative products to their customer base and this year was no exception with the build up of a new Microscissors fleet. Overall capital investment was strong for MEP as the business supported growth opportunities and geared up for the new year. After the financial year-end MEP acquired a low level access fleet from Aspire Platforms with back-to-back long term rental agreements. Prospects remain positive for MEP with a number of large, longer term, projects due to start in the first half of the new financial year.

Torrent Trackside enjoyed stronger demand as the year progressed and this despite the inevitable disruption from rail industrial action in the second half of our financial year. Torrent benefitted from a revival of CP6 rail activity with most Torrent depots across the UK seeing good year on year improvements. Network Rail, a key customer, remained busy throughout the period and Torrent continued to achieve an excellent performance against the KPIs within their contract. The Network Rail high output work also generated further demand. The transpennine upgrade delivered improved revenues with both the TRU East and TRU West joint ventures. The solar powered Prolectric lighting fleet also experienced a busier year. Capital investment in Torrent was relatively strong and in particular sourcing further equipment in support of Network Rail. The CP6 five year capital investment programme for the UK rail network finishes in March 2024, and the appointment of contractors to CP7 is advanced with Torrent well positioned to support those businesses. Torrent successfully trialled a 'site of the future' concept showcasing our significant commitment to and investment in battery and solar powered rail specific equipment which operates at much lower levels of noise and is practically carbon neutral. This initiative was well received by the customer base who view Torrent Trackside as a pivotal supply chain partner to help drive their own carbon reduction targets. Torrent heads confidently into the new financial year as overall activity within the rail sector remains good.

INTERNATIONAL DIVISION

	Year ended 31 March 2023	Year ended 31 March 2022
Revenue	**£38.1 million**	£30.7 million
Adjusted operating profit before amortisation, impairment of intangible assets and exceptional items*	**£3.1 million**	£1.5 million
Investment in rental fleet	**£6.3 million**	£4.6 million

* This measure is explained and reconciled in the Alternative Performance Measures section below.

The International division reported adjusted operating profit before amortisation, impairment of intangible assets and exceptional items*of £3.1 million, (2022: £1.5 million) on revenue 24% ahead of prior year of £38.1 million (2022: £30.7 million).

The International division comprises **Airpac Rentals**, a global supplier to the energy sector and **TR Group** which operates in Australia, New Zealand, Malaysia and Singapore and is a leading technical equipment rental group in the region. The following section comments on the highlights and key actions of the two business groupings within the International division during the year.

Airpac Rentals delivered good revenue and profit growth as trading conditions improved throughout the year. In recent times, Airpac has diversified its activities across a number of new applications including renewable energy, decommissioning and infrastructure chemical cleaning. Demand for the provision of exploration and production project support in the oil and gas segment also improved in the year. Our operations primarily centre around Europe, South East Asia and Australia. Highlights in the year included increased well testing activity in the North Sea, support of geothermal projects in Europe, and pipeline and process services support primarily in South East Asia and Australia. We have committed further investment to high pressure equipment as we support the return of activity in new Liquefied Natural Gas (LNG) production facilities (Asia and Australia) together with extended shutdown maintenance at the existing LNG plants. We anticipate further growth across most of Airpac's end markets during the new financial year.

TR Group ('TR') made further good progress in the year delivering strong revenue and profit growth as the trading environment across the region staged further post pandemic recovery. As elsewhere, this positive performance was delivered despite the same pressures from cost inflation, supply chain and labour shortages experienced elsewhere in the Group. Customer pricing has been increased and this helped mitigate the cost inflation challenge. The communications division, Hirecom, enjoyed further growth but the Tech Rentals business in Australia experienced a subdued market recovery, as project delays slowed progress but ultimately finished the financial year well. The TR businesses in New Zealand and Singapore traded strongly whilst TR Malaysia was quieter partially due to the economic impact of local political uncertainty. TR Calibration and the Vidcom audio visual business both made good progress. The TR Group businesses are well placed to build further on the platform of a strong year.

Employees

The consistent quality of the Group's business performance over many years is underpinned by our people. The individual and collective contributions of colleagues is fundamental to our success. We seek to fulfil our commitment to create a great place to work, where people feel valued and have the opportunities to fulfil their potential.

In the current year, we have invested in well-being including mental health awareness training and installation of defibrillators at larger operational sites. We have also invested in learning and development, maintained our highly successful graduate programme, now in its 5th year and renewed our ongoing commitment to engineering apprentice training. We have introduced our Long Service Recognition Programme and it is testament to the whole of Vp that we have 270 colleagues, representing 10% of Group headcount, with over 20 years' service. We look forward to delivering further supportive initiatives to employees over the coming year.

Environmental

The business has maintained a keen focus on all matters environmental, guided by the Environmental Steering Group, which I chair, alongside the Director of Risk and Sustainability and with representatives from within the trading divisions. The Steering Group acts as the main co-ordination point of this topic for the whole business.

We have maintained momentum in conversion of our rental fleet towards cleaner solutions led by innovation from our buying teams and supply chain and taking into account our customer requirements.

Achievements in the year include securing Plant Charter Gold Status in an initiative sponsored by the Supply Chain Sustainability School, an organisation facilitating best environmental practice in the construction sector. We have also now achieved the ISO 50001 energy management standard across all our UK network.

Our scope 3 emissions inventory was completed in the year and we subsequently submitted our science based targets data and hope to achieve full accreditation during 2023. We have set up a cross-divisional working party for sustainable procurement, to develop workstreams designed to formally assess supply chain partners in terms of sustainability commitments. Overall governance of environmental matters has been strengthened with the appointment of a director dedicated to risk and sustainability and reporting in to the plc Board. Communication of developments has been enhanced by the launch of a dedicated Environmental and Sustainability website which is aimed at keeping all stakeholders informed of achievements and current initiatives. We look forward to reporting on further substantial progress on our environmental initiatives in due course.

Outlook

The financial year under review presented many unexpected macro-economic challenges and which the whole Vp team tackled to great effect enabling the Group to deliver another high quality set of results demonstrating the resilient nature of the Vp business model. The Group businesses have taken the necessary action to ensure that we are as efficient as possible whilst costs have increased and market growth has been relatively subdued.

After a period of little change within the wider UK construction market, some adjustments to recent trends are forecast in the coming 12 months. Housebuilding which has been relatively buoyant for the last two years is forecast to experience moderate contraction in 2023 before recovering in 2024. Infrastructure will recover to modest growth after a flat 2022 driven by Rail, AMP7 (water), Hinkley Point and Offshore Wind capital investment. The non-residential new construction segment, comprising Public, Private Industrial and Private Commercial output is expected to see modest

improvement overall and the Repair and Maintenance sectors are anticipated to be stable. This market backdrop remains positive for Vp.

(Source: Experian UK Construction Forecast – Spring 2023).

Our International business is experiencing improving trading conditions and we believe that the wide range of markets to which this division is exposed, including mining, oil and gas, construction and outdoor events, will be supportive in the new financial year.

Our plan is to develop our business infrastructure and invest in our people, rental fleet and property to ensure we are well positioned to deliver further growth. A strong balance sheet provides a solid financial base that we can utilise to facilitate both organic and acquisitive growth both in the UK and Internationally as attractive opportunities are identified.

Neil Stothard
Chief Executive
7 June 2023

FINANCIAL REVIEW

TRADING PERFORMANCE

The Group has delivered a strong financial performance against a challenging backdrop with Group revenue increasing by 6% to £371.5 million (2022: £350.9 million). Profit before taxation, amortisation, impairment of intangible assets and exceptional items increased to £40.2 million (2022: £38.9 million) with net margins at 10.8% (2022: 11.1%). Statutory profit before tax was £30.7 million (2022: £35.6 million). The return on average capital employed was 14.4% (2022: 14.5%).

EXCEPTIONAL ITEMS

This year the Group has recorded exceptional items of £5.0 million (2022: £nil), these items have been reported separately due to their size and nature and in order to better understand the underlying performance of the Group. Exceptional items comprise £1.7 million of costs from the Group's terminated formal sale process alongside restructuring costs of £3.3 million, mainly in relation to depot closures across three of the Group's business units.

EARNINGS PER SHARE, DIVIDEND AND SHARES

Adjusted basic earnings per share before amortisation, impairment of intangible assets and exceptional items* increased from 71.2 pence to 79.0 pence. The increase of 7.8 pence includes the impact of a lower effective tax rate in the current year. Basic earnings per share is 58.1 pence (2022: 64.5 pence).

The Board has proposed a final dividend of 26.5 pence per share. If approved the full year dividend would increase to 37.5 pence per share with dividend cover of 2.1 times (2022: 2 times) based upon adjusted earnings per share before amortisation, impairment of intangible assets and exceptional items*. At 31 March 2023, 40.2 million shares were in issue of which 609,000 were held by Vp's Employee Trust.

BALANCE SHEET

Total property, plant and equipment increased by £4.9 million to £252.4 million. The movement in the year mainly comprised £66.9 million (2022: £68.0 million) of capital expenditure offset by depreciation of £46.9 million (2022: £45.5 million) and £15.7 million (2022: £10.7 million) of disposals (net book value).

Rental equipment at £220.6 million (2022: £216.6 million) accounts for 87% of property, plant and equipment net book value. Expenditure on equipment for hire was £59.9 million (2022: £59.8 million) and depreciation of rental equipment was £40.9 million (2022: £39.9 million).

Intangible assets are £57.7 million (2022: £62.4 million) and relate to goodwill, customer relationships and trade names.

Days sales outstanding has increased by four from 55 to 59 days as we have seen a slight worsening of the external credit environment. Gross trade debtors were £77.6 million at 31 March 2023 (2022: £72.8 million). Bad debt and credit note provisions totalled £4.6 million (2022: £5.2 million) equivalent to 6% (2022: 7%) of gross debtors. The impairment of trade receivables for the year as a percentage of total revenue was 0.9% (2022: 0.6%).

The Group's defined benefit pension schemes have a net surplus of £2.3 million (2022: £2.7 million) which is recorded as an asset on the balance sheet on the basis that the Company has an unconditional right to a refund of the surplus of its main scheme.

CASH FLOWS AND NET DEBT

Year end net debt excluding lease liabilities* increased slightly by £3.8 million to £134.4 million.

The Group continues to generate strong cash flows with £80.2 million (2022: £90.4 million) generated from operating activities.

This includes working capital outflow as a result of revenue growth experienced during the year and a slight worsening of the external credit market, particularly in the construction sector.

Cash flows in respect of capital expenditure were £63.3 million (2022: £68.7 million). Proceeds from disposal of assets totalled £24.9 million (2022: £17.8 million), generating a profit on disposal of £9.2 million (2022: £7.0 million). The margin on profit on sale from disposals of fleet assets at 37% (2021: 40%) continues to demonstrate effective asset management.

Net interest outflows, excluding IFRS 16 interest, for the year were £5.4 million (2022: £4.5 million). This additional cost was largely due to the increase in SONIA in the second half of the year. Interest cover before amortisation was 8.3 times (2022: 10.1 times) and the gearing ratio of adjusted Net Debt/EBITDA was 1.44 (2022: 1.43); both are calculated in accordance with our bank facility agreements and are comfortably within our covenants of greater than 3 times and lower than 2.5 times respectively. Net interest expense including IFRS 16 was £8.6 million (2022: £7.4 million). Cash tax was £5.5 million (2022: £6.3 million).

Dividend payments to shareholders totalled £14.5 million (2022: £14.0 million), and cash investment in own shares on behalf of the Employee Benefit Trust (EBT) during the year was £1.1 million (2022: £0.5 million).

CAPITAL STRUCTURE

The Group finances its operations through a combination of shareholders' funds, bank borrowings and leases. The capital structure is monitored using the gearing ratio quoted above. The Group's funding requirements are largely driven by capital expenditure and acquisition activity.

At the year end date, the Group had £183.0 million debt capacity (2022: £183.0 million) comprising £90.0 million committed revolving credit facilities and £93.0 million private placement agreements. At 31 March 2023 £146 million of the facilities were drawn down (2022: £145 million). In addition to the committed facilities, the Group's net overdraft facility at the year end was £7.5 million (2022: £7.5 million). These facilities were with NatWest Bank, HSBC Bank plc and PGIM, Inc. Borrowings under the Group's bank facilities are priced on the basis of SONIA plus a margin. The interest rate margin is linked to the net debt to EBITDA leverage of the Group. The Group also has a £20.0 million uncommitted accordion facility.

The Group's revolving credit facility is due to expire in June 2024 and positive preliminary conversations have been held with our lenders. We anticipate the refinance of the Group's facilities in advance of the Group's interim results announcement in November 2023.

The Board has evaluated the facilities and covenants on the basis of the 2024/25 long term forecasts, which has been prepared taking into account the current economic climate, together with a severe but plausible downside scenario. All scenarios retain adequate headroom against borrowing facilities and fall within existing covenants.

This evaluation, alongside the anticipated bank facility renewal, gives the Directors confidence that Group has adequate resources to continue in operation for the foreseeable future.

TREASURY

The Group has exposure to movements in interest rates on its borrowings, which is managed by maintaining a mix of fixed and floating debt. The fixed element of borrowings was £93.0 million which was 69% of net debt excluding lease liabilities during the year.

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

The matching is reviewed regularly with appropriate risk mitigation performed, where necessary. During the year the Group has not had any foreign exchange hedges.

TAXATION

The overall tax charge for the year was £7.7 million (2022: £10.1 million). This represents an effective rate of 25.1% (2022: 28.3%). In both years, the rate is higher than the statutory rate in the UK of 19%, principally as a result of the re-measurement of deferred tax liabilities reflecting the forthcoming change in corporation tax rates alongside certain expenses not deductible for tax.

Anna Bielby
Chief Financial Officer
7 June 2023

Consolidated Income Statement
for the year ended 31 March 2023

	Note	2023 £000	Restated 2022* £000
Revenue	**1**	**371,519**	350,915
Cost of sales		**(284,176)**	(261,876)
Gross profit		**87,343**	89,039
Administrative expenses		**(44,763)**	(43,968)
Impairment losses on trade receivables		**(3,305)**	(2,074)
Operating profit before amortisation, impairment of intangible assets and exceptional items	**1**	**48,775**	46,299
Amortisation and impairment of intangible assets	**1**	**(4,490)**	(3,302)
Exceptional items	**2**	**(5,010)**	-
Operating profit		**39,275**	42,997
Net financial expense		**(8,569)**	(7,353)
Profit before taxation, amortisation, impairment of intangible assets and exceptional items		**40,206**	38,946
Amortisation and impairment of intangible assets	**1**	**(4,490)**	(3,302)
Exceptional items	**2**	**(5,010)**	-
Profit before taxation		**30,706**	35,644
Income tax expense	**5**	**(7,696)**	(10,109)
Profit after tax		**23,010**	25,535
		Pence	Pence
Basic earnings per share	**3**	**58.05**	64.49
Diluted earnings per share	**3**	**57.76**	63.83
Dividend per 5p ordinary share interim paid and final deferred	**6**	**37.5**	36.0

* In accordance with IAS 1, impairment losses on trade receivables are required to be presented separately on the face of the Income Statement. Previously such losses were presented within cost of sales. This has been corrected in the current year and the comparatives restated accordingly.

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2023

	2023	2022
	£000	£000
Profit for the year	**23,010**	25,535
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension schemes	**(319)**	693
Tax on items taken to other comprehensive income	**5**	(183)
Impact of tax rate change	**58**	110
Items that may be subsequently reclassified to profit or loss		
Foreign exchange translation difference	**502**	361
Effective portion of changes in fair value of cash flow hedges	**-**	221
Total other comprehensive income	**246**	1,202
Total comprehensive income for the year	**23,256**	26,737

Consolidated Statement of Changes in Equity
for the year ended 31 March 2023

	2023	2022
	£000	£000
Total comprehensive income for the year	**23,256**	26,737
Dividends to shareholders	**(14,471)**	(14,054)
Net movement relating to shares held by Vp Employee Trust	**(1,096)**	(516)
Share option charge in the year	**580**	1,249
Tax movements to equity	**62**	90
Impact of tax rate change	**16**	(11)
Movement in minority interest	**-**	(27)
Change in Equity	**8,347**	13,468
Equity at start of year	**166,585**	153,117
Equity at end of year	**174,932**	166,585

Consolidated Balance Sheet
as at 31 March 2023

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment		**252,385**	247,526
Intangible assets		**57,748**	62,422
Right of use assets		**54,637**	54,151
Employee benefits		**2,300**	2,738
Total non-current assets		**367,070**	366,837
Current assets			
Inventories		**8,915**	7,956
Trade and other receivables		**81,513**	76,057
Income tax receivable		**736**	-
Cash and cash equivalents	4	**11,140**	13,617
Total current assets		**102,304**	97,630
Total assets		**469,374**	464,467
Current liabilities			
Lease liabilities	4	**(14,622)**	(14,147)
Income tax payable		**-**	(152)
Trade and other payables		**(72,184)**	(80,676)
Total current liabilities		**(86,806)**	(94,975)
Non-current liabilities			
Interest-bearing loans and borrowings	4	**(145,508)**	(144,221)
Lease liabilities	4	**(43,896)**	(43,496)
Provisions		**(1,612)**	(1,512)
Deferred tax liabilities		**(16,620)**	(13,678)
Total non-current liabilities		**(207,636)**	(202,907)
Total liabilities		**(294,442)**	(297,882)
Net assets		**174,932**	166,585
Equity			
Issued share capital		**2,008**	2,008
Capital redemption reserve		**301**	301
Share premium		**16,192**	16,192
Foreign currency translation reserve		**(518)**	(1,020)
Retained earnings		**156,949**	149,104
Total equity		**174,932**	166,585

Consolidated Statement of Cash Flows
for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Cash flow from operating activities			
Profit before taxation		**30,706**	35,644
Share based payment charge		**580**	1,249
Depreciation		**46,853**	45,532
Depreciation of right of use asset		**16,305**	16,561
Amortisation and impairment of intangible assets	1	**4,490**	3,302
Release of arrangement fees		**287**	314
Financial expense		**8,601**	7,355
Financial income		**(32)**	(2)
Profit on sale of property, plant and equipment		**(9,174)**	(7,045)
Operating cash flow before changes in working capital		**98,616**	102,910
Increase in inventories		**(959)**	(614)
Increase in trade and other receivables		**(5,452)**	(9,133)
Decrease in trade and other payables		**(11,979)**	(2,781)
Cash generated from operations		**80,226**	90,382
Interest paid		**(5,413)**	(4,456)
Interest element of lease liability payments		**(3,038)**	(2,940)
Interest received		**32**	2
Income tax paid		**(5,496)**	(6,282)
Net cash generated from operating activities		**66,311**	76,706
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		**24,855**	17,819
Purchase of property, plant and equipment		**(63,312)**	(68,679)
Acquisition of businesses and subsidiaries (net of cash acquired)		**-**	(2,693)
Net cash used in investing activities		**(38,457)**	(53,553)
Cash flow from financing activities			
Purchase of own shares by Employee Trust		**(1,096)**	(516)
Repayment of borrowings		**(29,000)**	(95,044)
New loans		**30,000**	102,044
Arrangement fees		**-**	(773)
Capital element of lease liability payments		**(15,921)**	(17,149)
Dividends paid		**(14,471)**	(14,054)
Net cash used in financing activities		**(30,488)**	(25,492)
Decrease in cash and cash equivalents		**(2,634)**	(2,339)
Effect of exchange rate fluctuations on cash held		**157**	39
Cash and cash equivalents net of overdrafts at the beginning of the year		**13,617**	15,917
Cash and cash equivalents net of overdrafts at the end of the year	4	**11,140**	13,617

NOTES

The final results have been prepared on the basis of the accounting policies which are set out in Vp plc’s annual report and accounts for the year ended 31 March 2023. The accounting policies applied are in line with those applied in the annual financial statements for the year ended 31 March 2022 and conform with UK-adopted International Accounting Standards (“UK-adopted IASs”). The financial statements have also been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed in accordance with UK-adopted IASs, this announcement does not itself contain sufficient information to comply with UK-adopted IASs. The Company expects to publish full financial statements in June 2023.

The financial information set out above does not constitute the Company’s statutory accounts for the year ended 31 March 2023 or 2022. Statutory accounts for 31 March 2022 have been delivered to the registrar of companies, and those for 31 March 2023 will be delivered in due course. The auditor has reported on those accounts; the reports were (i) unqualified, (ii) included a reference to going concern to which the auditor drew attention by way of emphasis without qualifying the report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 31 March 2023.

The financial statements were approved by the Board of Directors on 7 June 2023.

Going Concern
The going concern basis has been adopted in preparation of the consolidated financial statements. The Board has evaluated funding, facilities and covenants on the basis of the budget for 2023/24 (including 2024/25 long term forecast) and has performed sensitivity analysis on them.

The Group and parent company forecast positive cash inflows through a pipeline of existing and new hire agreements and other services; the Group and parent company also have sufficient finance facilities available if required, subject to the successful renewal of the revolving credit facility (‘RCF’). The assessment included an analysis of the Group’s and parent company's current financial position, ability to trade, principal risks facing the Group, and the effectiveness of its strategies to mitigate the impact of liquidity risks. On the basis of these procedures, the Board have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future.

In making this assessment the Board recognises that one of the borrowing facilities used by the Group, the RCF of £90.0 million, drawn to £53.0 million at the balance sheet date, expires in June 2024. The Board has already held positive preliminary conversations with its lenders and has considered the availability and likelihood of securing replacement facilities on or before the date of expiry as part of their consideration and testing above. Although no facility has been formally agreed at the date of approval of these financial statements, the Board considers it appropriate to continue to assume this facility will be renewed or replaced. However, it recognises that as the Group's (and, inter alia, the parent company’s) committed financing facilities do not extend over the full going concern review period and renewal or replacement is subject to future agreement with lenders. Therefore, the Board is unable to be certain that the required levels of financing will be available throughout the going concern assessment period to enable the group to meet its liabilities as they fall due. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s and the parent company's ability to continue as a going concern.

Notwithstanding the above, the Board has a reasonable expectation that the Group and parent company have adequate resources to continue in operational existence for at least the next 12 months from the date of approval of these financial statements. The financial statements do not include the adjustments that would result if the Group and parent company were unable to continue as a going concern.

1. Business Segments

	Revenue		Operating profit before amortisation and exceptional items	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
UK	**333,453**	320,203	**45,564**	44,704
International	**38,066**	30,712	**3,211**	1,595
Total	**371,519**	350,915	**48,775**	46,299

Operating profit before amortisation and exceptional items is reconciled to profit before tax in the Income Statement. The amortisation and impairment charge of £4.5 million (2022: £3.3 million) includes £1.2 million (2022: £nil) in relation to impairment of goodwill and intangible assets.

2. Exceptional Items

During the year, the Group incurred costs which were identified as being exceptional.

	2023	2022
	£000	£000
Costs associated with Formal Sale Process	**1,687**	-
Restructuring and reorganisations	**3,323**	-
Total Exceptional items	**5,010**	-

Costs associated with the Formal Sale Process were professional fees which were incurred by the Group as part of the procedure. This was a one off process which is deemed to be exceptional.

Costs incurred regarding restructuring and reorganisations relates to various regionalisation projects and the closure of certain branches during the year. Costs cover redundancies, property exit costs and write off of assets which can no longer be used. In all cases, these closures and reorganisations were part of a one off process and are thus deemed to be exceptional. The goodwill and intangible assets charge of these closures was £1.2 million. This is not included in exceptional items as it is separately presented in the Income Statement.

During the year to 31 March 2022, the Group incurred no exceptional items.

3. Earnings Per Share

The calculation of basic earnings per share of 58.05 pence (2022: 64.49 pence) is based on the profit attributable to equity holders of the parent of £23,010,000 (2022: £25,535,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2023 of 39,635,000 (2022: 39,597,000), calculated as follows:

	2023	2022
	Shares 000s	Shares 000s
Issued ordinary shares	**40,154**	40,154
Effect of own shares held	**(519)**	(557)
Weighted average number of ordinary shares	**39,635**	39,597

Basic earnings per share before the amortisation of intangibles and exceptional items was 78.41 pence (2022: 71.24 pence) and is based on an after tax add back of £8,067,000 (2022: £2,675,000) in respect of the amortisation of intangibles and exceptional items.

The calculation of diluted earnings per share of 57.76 pence (2022: 63.83 pence) is based on profit after tax of £23,010,000 (2022 £25,535,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2023 of 39,835,000 (2022: 40,009,000), calculated as follows:

	2023	2022
	Shares 000s	Shares 000s
Weighted average number of ordinary shares	**39,635**	39,597
Effect of share options in issue	**200**	412
Weighted average number of ordinary shares (diluted)	**39,835**	40,009

Diluted earnings per share before the amortisation of intangibles and exceptional items was 78.01 pence (2022: 70.51 pence). The calculation of diluted earnings per share in the prior year does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

4. Analysis of Net Debt

	As at 31 Mar 2022 £000	Cash movements £000	Non-cash movements £000	**As at 31 Mar 2023 £000**
Secured loans	145,000	1,000	-	**146,000**
Arrangement fees	(779)	-	287	**(492)**
Cash and cash equivalents	(13,617)	2,634	(157)	**(11,140)**
Net debt excluding lease liabilities	130,604	3,634	130	**134,368**
Lease liabilities	57,643	(19,757)	20,632	**58,518**
Net debt including lease liabilities	188,247	(16,123)	20,762	**192,886**

Year end gearing (calculated as net debt expressed as a percentage of shareholders' funds) stands at 76% (2022: 77%).

As at 31 March 2023 the Group had £183.0 million (2022: £183.0 million) of debt capacity comprising committed revolving credit facilities of £90.0 million and private placements of £93.0 million. In addition to the committed facilities, the Group net overdraft facility at the year-end was £7.5 million (2022: £7.5 million).

5. Taxation

The charge for taxation for the year represents an effective tax rate of 25.1% (2022: 28.3%). The underlying tax rate was 21.1% (2022: 20.6%) before exceptional items, prior year adjustments, impact of tax rate changes and impairment of intangible assets.

6. Dividend

The Board has proposed a final dividend of 26.5 pence per share to be paid on 4 August 2023 to shareholders on the register at 23 June 2023. Including the interim dividend of 11.0 pence per share, this makes a total dividend for the year of 37.5 pence per share (2022: 36.0 pence per share).

The ex-dividend date will be 22 June 2023 and the last day to elect to participate in the dividend reinvestment plan will be 7 July 2023.

7. Principal risks and uncertainties

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

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

All risk registers have a documented action plan to mitigate each risk identified. The progress made on the action plan is considered as part of the risk review process. Within the last financial year the Group Internal Audit Department has completed key control reviews in all divisions.

The summary divisional and departmental risk registers and action plans were reviewed at risk meetings held in during the year. In all cases it is considered that the risk registers are being used as working documents which provides the required assurance that existing risks are being managed appropriately. Work is also underway on communicating risk registers more effectively using our chosen visualisation software. This will enhance accountability over key risk areas.

The risk registers are reviewed at the start (to facilitate the planning process) and at the end of each internal audit project. A post audit risk rating is agreed with management. If new risks are identified following an audit project they are added to the relevant risk register. Heat maps illustrating post audit risk ratings and new risks are provided to the board in each published internal audit report.

Further information is provided below on our principal risks and mitigating actions to address them.

Market risk

Risk description
An economic downturn (as a result of economic cycles, political or global related uncertainly) could result in worse than expected performance of the business due to lower activity levels or prices.

Mitigation

Vp provides products and services to a diverse range of markets with increasing geographic spread. The Group regularly monitors economic conditions and our investment in fleet can be flexed with market demand.

Competition

Risk description
The equipment rental market is already competitive and could become more so, impacting market share, revenues and margins.

Mitigation
Vp aims to provide a first class service to its customers and maintains significant market presence in a range of specialist niche sectors. The Group monitors market share, market conditions and competitor performance and has the financial strength to maximise opportunities.

Investment/product management

Risk description
In order to grow it is essential the Group obtains first class products at attractive prices and keeps them well maintained.

Mitigation
Vp has well established processes to manage its fleet from investment decision to disposal. The Group's return on average capital employed was 14.4% in 2023 (2022: 14.5%). The quality of the Group's fleet disposal margins also demonstrate robust asset management and appropriate depreciation policies.

People

Risk description
Retaining and attracting the best people is key to our aim of exceeding customer expectations and enhancing shareholder value.

Mitigation
Vp offers well-structured reward and benefit packages, and nurtures a positive working environment. We also try to ensure our people fulfil their potential to the benefit of both the individual and the Group, by providing appropriate career advancement and training.

Safety

Risk description
The Group operates in industries where safety is a key consideration for both the wellbeing of our employees and customers that hire our equipment. Failure in this area would impact our results and reputation.

Mitigation
The Group has robust health and safety policies and management systems. Our induction and training programmes reinforce these policies. We have compliance teams in each division.

We provide support to our customers exercising their responsibility to their own workforces when using our equipment.

Financial risks

Risk description
To develop the business Vp must have access to funding at a reasonable cost. The Group is also exposed to interest rate and foreign exchange fluctuations which may impact profitability and has exposure to credit risk relating to customers who hire our equipment.

Mitigation
The Group has borrowing facilities of £190.5 million and strong relationships with all lenders. Our treasury policy defines the level of risk that the Board deems acceptable. Vp continues to benefit from a strong balance sheet, and EBITDA, which allows us to invest into opportunities.

The Group continues to generate strong cash flows and net debt increased modestly by £3.8 million from £130.6 million at 31 March 2022 to £134.4 million at 31 March 2023. Management are in regular dialogue with our lenders who continue to express their commitment to the business.

Our treasury policy requires a significant proportion of debt to be at fixed interest rates and we facilitate this through fixed interest borrowings. We have agreements in place to buy or sell currencies to hedge against foreign exchange movements. We have strong credit control practices and use credit insurance where it is cost effective. Debtor days were 59 days (2022: 55 days) and bad debts, as a percentage of revenue remained low at 0.9% (2022: 0.6%).

Contractual risks

Risk description
Ensuring that the Group commits to appropriate contractual terms is essential; commitment to inappropriate terms may expose the Group to financial and reputational damage.

Mitigation
The Group mainly engages in supply only contracts. The majority of the Group's hire contracts are governed by the hire industry standard terms and conditions. Vp has robust procedures for managing non-standard contractual obligations.

Legal and regulatory requirements

Risk description
Failure to comply with legal or regulatory obligations culminating in financial penalty and/or reputational damage.

Mitigation
The Group mitigates this risk utilising:

- Specialist project committees with ongoing responsibility to review key compliance areas and investigate breaches and non-conformance.
- Assurance routines from Group Internal Audit and External Auditors.
- Comprehensive training and awareness programmes rolled out to wider business (including Modern Slavery, Competition Law, Bribery and Corruption) by representitives from Group Finance, HR, Internal Audit and IT. Many of these programmes are completed using our preferred online training portals.
- Established whistleblowing policy circulated to all employees.
- Use of legal advisors where required.

Climate change

Risk description

The effects of climate change and the transition to a lower carbon economy could lead to increasing levels of regulation and demands on the business from customers, employees and shareholders. Changes in weather patterns may increase the likelihood of disruption to our business, although this is considered minimal at this stage.

Mitigation

The Group has formally declared the intention to be net carbon zero by 2050 at the latest. This declaration is part of a wider body of work in relation to quantifying and ultimately reducing the environmental impact of the Group's operations. We have completed our Scope 3 emissions inventory, this has unlocked many workstreams to reduce our carbon emissions. We have submitted our Science-Based Targets to the Science-Based Targets Initiative for validation.

IT Resilience

Risk description

As is the case with most businesses, the Group is reliant on the consistent availability of its IT systems and security of key systems. Disruption to, or failure of, our principle systems could result in significant disruption to our business, potentially leading to reputation and financial loss. The Group continues to develop existing systems and introduce new software packages. As such cyber and data risks have become an area of increased focus and controls and are constantly evolving.

Mitigation

This area is being led by our Group IT Director supported by our IT Technical and development teams. Where appropriate consultancy is provided by trusted third parties who understand and validate the level of risk the Group faces in its various processes, systems and interfaces.

The Group has tested planning in place and reviews learnings on an ongoing basis. Employee awareness continuous and is being enhanced to ensure it remains relevant and meaningful with the added ability for easier and more timely delivery to all users.

The Group has achieved Cyber Essentials and Cyber Essentials Plus.

8. Forward Looking Statements

The Chairman's Statement and Business Review include 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.

9. Annual Report and Accounts

The Annual Report and Accounts for the year ended 31 March 2023 will be provided to shareholders before the end of June 2023.

Alternative Performance Measures

The Board monitors performance principally through adjusted and like-for-like performance measures. Adjusted profit and earnings per share measures exclude certain items including the impact of IFRS16, amortisation of acquired intangible assets and goodwill impairment charges and exceptional items.

The Board believes that such alternative measures are useful as they exclude one-off (amortisation, impairment of intangible assets and exceptional items) and non-cash (amortisation of intangible assets) items which are normally disregarded by investors, analysts and brokers in gaining a clearer understanding of the underlying performance of the Group from one year to the next when making investment and other decisions. Equally, IFRS16 is excluded from measures used by these same stakeholders and so is removed from certain APMs.

The key measures used as APMs are reconciled below.

	2023	2022
	£'000	£'000
Profit before tax as per Income Statement	30,706	35,644
Adjustment to remove IFRS 16 impact	283	(41)
Adjusted profit before tax APM	**30,989**	**35,603**
Amortisation and impairment of intangible assets	4,490	3,302
Exceptional items	5,010	-
Adjusted profit before tax, amortisation, impairment of intangible assets and exceptional items APM (PBTAE)	**40,489**	**38,905**
Interest (excluding interest on lease liabilities)	5,542	4,431
Adjusted operating profit before tax, amortisation, impairment of intangible assets and exceptional items APM	**46,031**	**43,336**
Depreciation (excluding depreciation of right of use assets)	46,853	45,532
Adjusted EBITDA APM	**92,884**	**88,868**

	2023			2022		
	UK Segment	International Segment	Total	UK Segment	International Segment	Total
Operating profit before tax, amortisation, impairment of intangible assets and exceptionals	45,564	3,211	48,775	44,704	1,595	46,299
Adjustment to remove IFRS 16 impact	(2,622)	(122)	(2,744)	(2,872)	(91)	(2,963)
Adjusted operating profit before tax, amortisation, impairment of intangible assets and exceptional items APM	**42,942**	**3,089**	**46,031**	**41,832**	**1,504**	**43,336**

Adjusted operating margin is calculated by dividing adjusted operating profit before tax, amortisation, impairment of intangible assets and exceptional items by revenue.

	2023	2022
	Pence	Pence
Basic earnings per share	58.1	64.5
Impact of amortisation, impairment of intangible assets and exceptional items after tax	20.3	6.7
Impact of IFRS 16	0.6	-
Adjusted basic earnings per share APM	**79.0**	**71.2**

	2023	2022
	£'000	£'000
Net debt including lease liabilities	192,886	188,247
Lease liabilities	(58,518)	(57,643)
Net debt excluding lease liabilities APM	**134,368**	**130,604**

Return on average capital employed (ROACE) is based on profit before Operating Profit before tax, amortisation, impairment of intangible assets and exceptional items as defined above divided by average capital employed on a monthly basis using the management accounts.

Directors' Responsibility Statement in Respect of the Annual Financial Report (extracted from the Annual Financial Report)

We confirm that to the best of our knowledge:

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

For and on behalf of the Board of Directors.

J F G Pilkington
Director

A C Bielby
Director

- ENDS -