TOTAL FOUNDATION SOLUTIONS.

VAN ELLE HOLDINGS PLC

ANNUAL REPORT AND ACCOUNTS 2019

VAN ELLE

TOTAL FOUNDATION SOLUTIONS

WE ARE THE UK'S LARGEST INDEPENDENT GEOTECHNICAL ENGINEERING CONTRACTOR

We utilise leading-edge plant and technologies, to deliver annually over 1,000 innovative, first-class solutions to clients throughout the UK, across all sectors.

Highlights

FINANCIAL HIGHLIGHTS

REVENUE (£m)

£88.5m

-14.8%

2019	88.5
2018	103.9
2017	94.1

UNDERLYING OPERATING PROFIT* (£m)

£5.2m

-53.2%

		% OF TURNOVER
2019	5.2	5.9%
2018	11.1	10.7%
2017	11.6	12.3%

OPERATING PROFIT (£m)

£4.6m

-52.6%

		% OF TURNOVER
2019	4.6	5.2%
2018	9.7	9.3%
2017	9.7	10.3%

* Underlying measures exclude exceptional costs and share-based payment expenses (note 7).

P18 | See how we use KPIs to measure our performance

OPERATIONAL HIGHLIGHTS

SMARTFOOT®-RELATED REVENUES

+£1.6m
+9.8%

RATIONALISED FLEET SIZE

115
-6.5%

NEW VIBRO RIGS FOR FY20

4

- Simplified divisional structure to five divisions from eight
- Moved to new co-located offices to reinforce collaboration
- Smartfoot®-related revenues increased 9.8% on prior year to £18.5m
- Consolidated rig fleet, disposing of nine underutilised rigs
- VeMog, unique self-contained drilling system for use on rail and road, launched
- Vibro rigs built in house and ready to mobilise in FY20

P28 | Read more about our progress in the operational review

IN THIS REPORT

"SINCE MY ARRIVAL IN AUGUST 2018, I HAVE REVIEWED AND PRIORITISED OUR GROWTH STRATEGY, UNDERPINNED BY A STRATEGIC CUSTOMER ENGAGEMENT PROGRAMME."

P8 | Read more from the Chief Executive

Stay up to date with the latest news and announcements on our new website:
WWW.VAN-ELLE.CO.UK

BUILDING ON SOLID FOUNDATIONS

We continue to build on our strong reputation in core ground engineering markets, a reputation built on service, quality, technical expertise, innovation, safety and the successful delivery of value-engineered solutions to our customers.

01 Delivering solutions across dedicated operational segments

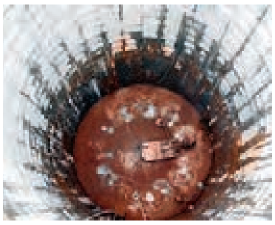
GENERAL PILING

Offering a variety of ground engineering and foundation solutions on open sites.

REVENUE SHARE

42.1%

P28 | Read the operational review



SPECIALIST PILING

Providing a range of piling and geotechnical solutions in operationally constrained environments.

REVENUE SHARE

32.3%

P30 | Read the operational review

GROUND ENGINEERING SERVICES

Offering a range of ground investigation expertise and modular foundation solutions.

REVENUE SHARE

25.6%

P32 | Read the operational review

02 Providing a comprehensive service offering

PILING

Large diameter piling using state-of-the-art continuous flight auger ("CFA"), rotary and driven rigs.

RETAINING WALLS

Designed for temporary and permanent excavation support to provide safe working areas.

GEOTECHNICAL ENGINEERING

Faster and more cost-effective alternative to piling in ground improvement on large areas of weak ground.

HOUSING

A complete offer for the housebuilder whatever the scale of the development, including our high quality precast foundation system.

GROUND INVESTIGATION

Testing of piles, soil nails and ground anchors, as well as site investigation and reporting.

RAIL

Bespoke rigs and innovative techniques to deliver solutions to specialist sectors and environments.

> THE BUSINESS CONTINUES TO INNOVATE AND DEVELOP NEW PRODUCTS TO ENSURE WE REMAIN COMPETITIVE AND DIVERSIFIED.

P8 | Read more from the Chief Executive

03 Targeting service solutions across four key end markets

NEW HOUSING

REVENUE SHARE

43.8%

-25.2% GROWTH IN YEAR

INFRASTRUCTURE

REVENUE SHARE

31.3%

-14.4% GROWTH IN YEAR

COMMERCIAL AND INDUSTRIAL

REVENUE SHARE

23.2%

+25.5% GROWTH IN YEAR

PUBLIC

REVENUE SHARE

1.6%

-35.9% GROWTH IN YEAR

P12 | Read more about our end markets
P14 | See our business model

WE ARE EXPERTS IN OUR FIELD

We are focusing on longer-term partnerships to build on our existing long-standing relationships with major contractors, housebuilders and property developers, enabling us to capitalise on a range of growth opportunities nationwide.

Our mission is to provide clients of all sizes and across all sectors with a professional, safe and collaborative service whilst delivering a competitive, quality geotechnical solution ideally suited to the purpose for which it is intended.

A LEADING UK PLAYER

- Very successful track record of targeted revenue growth, delivered profitably
- Strong management team and operating model
- Self-funded growth across the Group

DIFFERENTIATED OFFERING

- Broad array of complex techniques and operating environments
- Value-engineered solutions and products
- Diverse customer base with high levels of repeat business

ATTRACTIVE MARKETS

- Able to operate in a diverse range of UK-focused markets
- Housebuilding, road and rail infrastructure
- Proprietary manufactured precast foundation products

WELL-INVESTED PLATFORM

- c.£48m invested in facilities, rigs and specialist equipment in the last five years
- In-house support functions
- Highly skilled incentivised workforce

STRONG FINANCIAL PROFILE

- Profitability across a range of contract sizes
- Track record of converting profit into cash

CLEAR STRATEGY FOR GROWTH

- Target market share gain
- New products, services and geographic locations
- Accelerate growth with targeted bolt-on acquisitions

REPOSITIONING FOR GROWTH

Improvement actions taken to strengthen the management team and streamline the operational structure to establish a stronger platform to refresh our growth strategy.

7
LOCATIONS

115
RIGS

£48m
CAPITAL INVESTMENT 2015–2019

530
AVERAGE HEADCOUNT

£35m
ORDER BOOK APRIL 2019

UNCERTAIN MARKETS IMPACT OUR STRONG TRACK RECORD OF GROWTH

"FOCUS ON LONGER-TERM PARTNERSHIPS AND BUILDING ON EXISTING CLIENT RELATIONSHIPS."

Dear Shareholder,

This has been a year of transition for Van Elle as we seek to transform business performance and set the platform for future growth under our new CEO, Mark Cutler, and a strengthened leadership team.

Disappointingly, current year performance has been impacted by a combination of uncertainty which has affected a number of our most significant markets and, as previously highlighted, operational weaknesses in the General Piling division in Q3.

Since joining Van Elle, Mark Cutler has undertaken a thorough review of operations and is implementing a three-phase transition plan with the aim of improving operational performance and establishing a platform for growth.

Significant progress has already been made under phase one of the transition plan, supported by an enhanced and strengthened leadership team, including streamlining the divisional structure, improving engagement with strategic customers, fostering an improved commercial and business development focus, and strengthening performance review and commercial processes across the business. In addition, a high level of focus is being applied to staff engagement and retention.

Notwithstanding current market uncertainty, the Group remains a leader in the UK geotechnical engineering services market where significant opportunities exist across our target markets of housing, infrastructure and commercial and industrial, much of which remain well funded and/or are underpinned by long-term structural growth dynamics. The Group finished the year with a strong order book, with particular focus on longer-term partnerships and building on existing client relationships.

Capital allocation

The Group's capital structure is kept under constant review, taking account of the need for, and the availability and cost of, various sources of finance. The Group's objective is to deliver long-term value to its shareholders whilst maintaining a balance sheet structure that safeguards the Group's financial position through economic cycles.

Given the current wider market uncertainties, the priority focus continues to be strong management of working capital and net debt reduction. Investment over recent years has positioned the Group strongly, with a large, modern rig fleet, capable of delivering a broad range of services efficiently. In the short term, capital expenditure on rig fleet expansion will continue to be considered on a selective basis where a compelling investment case exists. Bolt-on acquisitions are not currently a key priority for the Group, but we remain watchful for opportunistic situations that might arise from the current uncertain market conditions.

Cost reduction programmes are ahead of previous targets and ongoing, benefiting from the co-location of all operations to our main site in Kirkby-in-Ashfield.

Dividend

In light of the Group's performance and reflecting the importance of prudent management of cash reserves, the Board is recommending a final dividend of 1.0p (2018: 2.3p), making a total of 2.0p (2018: 3.7p). If approved, the final dividend is payable on 27 September 2019 to shareholders registered on 6 September 2019.

Board and governance

In August 2018, our new CEO, Mark Cutler, joined the Board following the retirement of Jon Fenton in May 2018 (and the intervening period with Steve Prendergast as Interim CEO). Mark brings significant sector and leadership experience to the role, with a

clear strategy to stabilise the business and build a platform to pursue sustainable profitable growth.

In May 2019, Paul Pearson resigned from his role as Chief Financial Officer and Director of the Company and so will leave the Company in November 2019. On behalf of the Board, I would like to reiterate our thanks to Paul for his many years' service, which included the successful IPO of Van Elle in 2016.

Following Paul's resignation, the Company is progressing the process of finding a successor to Paul and a further announcement will be made in due course.

As a Board, we are committed to promoting the highest standards of corporate governance and ensuring effective communication with shareholders. We are committed to applying the Quoted Companies Alliance Corporate Governance Code, complemented with other suitable governance measures appropriate for a company of our size.

People

During a year of significant transition, the senior leadership team has been strengthened to ensure we have the optimal mix of experience and capability as we build a platform from which to grow the business.

In the year, Peter Handley and Malcolm O'Sullivan joined the leadership team in key roles, both bringing significant industry experience to the business. On behalf of the Board I would like to welcome Peter, Malcolm and all new employees to the Group.

As a Company, we have worked hard to bring together a team that has the right combination of sector knowledge and corporate experience to enable us to deliver on our vision and strategy.

Van Elle remains a market-leading business with an outstanding group of employees. I would like to thank all employees for their hard work and ongoing contribution to the business.

Outlook

Despite the uncertain market conditions and impact on investment decisions due to the protracted Brexit negotiations, and a general slowdown in contract deployment, the improved customer-focused approach and positive order book development underpin the Board's confidence in the prospects for the Group in the coming years.

As a Board, we are mindful that market uncertainty and the resultant volatility may persist further into the current financial year, which would limit the rate at which progress can be made.

Van Elle fundamentally remains a market-leading business with a clear strategy. The Board is confident that with the benefits of our implementation plan, we are well placed to capture significant opportunities across our target markets today and into the future.

Adrian Barden
Non-Executive Chairman
23 July 2019

IMPROVING BUSINESS PERFORMANCE TO RETURN TO GROWTH

HIGHLIGHTS

- Implementing transformation programme to improve operational performance and position for growth
- Simplified divisional structure from eight to five divisions
- Streamlined overheads and consolidated operations into new co-located offices at Kirkby-in-Ashfield
- Strengthened leadership team
- Reviewed and prioritised growth strategy, underpinned by strategic customer engagement programme
- Made excellent progress in housing and infrastructure pipeline and order book growth
- Further diversified service offering in all divisions
- Streamlined rig fleet from 123 to 115, disposing of underutilised rigs

> THE BUSINESS HAS CONCENTRATED ON ACTIONS REQUIRED TO IMPROVE UTILISATION.

Overview

This year has been a challenging year amidst a general slowdown in construction activity and uncertainties around investment decisions and project starts. The first half continued to see market uncertainty as a result of the liquidation of Carillion in January 2018 and delayed contract decisions arising from Brexit uncertainty.

Reflecting these more challenging market conditions and the need for internal performance and efficiency improvements, the business is in a transition period during which efficiencies are being delivered, improved processes are being implemented and enhanced capability is assembled. In parallel a strategic review of markets and customers has been undertaken to enable the actions for sustainable growth and margin enhancement to be delivered over time. As a key element in ensuring strong, long-term performance, the Group is now far more focused on closer customer relationships in its core sectors.

Part of the streamlining of the Group has seen the number of operating divisions reduced from eight to five and the integration of all staff previously spread across four separate offices into a single co-located office in Kirkby-in-Ashfield during Q4. In addition, the size of the total rig fleet has been reduced while future capex is more selectively considered, although Van Elle continues to hold the broadest and most modern range of specialist piling rigs in the market. In parallel, efficiencies to the overhead have been delivered in excess of £1.0m on an annualised basis, part of which has been reinvested in key hires, and further opportunities continue to be delivered, including the benefits of co-location on a single site.

Notwithstanding the difficult backdrop, the business continues to innovate and develop new products and services to ensure we remain competitive and diversified, as well as to meet opportunities in its core sectors. During the year new rigs have been built in house for vibro stone columns ("VSC") in support of the housing sector, a unique, award-winning, road-rail geotechnical investigation vehicle, the VeMog, has been commissioned and excellent progress has been made with our patented track bed stabilisation ("TBS") system applicable to the rail sector. FY19 has also seen the effective deployment of the three large rotary rigs procured in FY18 on several important case study projects.

Our diversified business model continues to be focused on mid-sized projects (once again delivering c.1,000 projects in the year) across three core sectors where we believe there is sustainable demand for our services. In addition, our commercial risk remains relatively low as we complete projects quickly after typically short lead times and this approach rarely leads to commercial disputes. Progress is indicated by our improved cash conversion of 106.3% (FY18: 85.9%) which has supported our year-end net debt reduction to £4.2m (FY18: £5.9m).

Significant focus has been put into staff engagement and retention, particularly during the challenging times described above and while streamlining and cost reduction programmes are being delivered. These initiatives include strengthened internal communications, priority training and development programmes and recognition programmes. Our first Company awards event will be held in December 2019.

Strategic approach

Since joining Van Elle in August 2018, I have undertaken a thorough review of the business and identified a range of opportunities to enhance the performance of the Group both in terms of operational performance and commercial development.

The Group remains a leader in the UK geotechnical engineering services market and our strategy is predicated on simultaneously:

1. enhancing the performance and profitability of the business through a range of business improvement activities; and
2. accelerating growth by increasing our market share in our targeted sectors, maximising our integrated solutions offering, broadening our range of products and services and extending our geographical footprint into high-growth markets across the UK.

At the half year we described the three phases of our transition plan (below). The phase one activities commenced in FY19 and will continue throughout FY20. Progress is measured against medium-term key performance indicators and supported by annual objectives across the leadership team, which are cascaded through the business via individual personal appraisals and linked to individual incentive arrangements.

Phase 1	Business review and performance stabilisation
Phase 2	Predictable performance and margin improvement
Phase 3	Sustainable annual growth

At the half year we reported on a range of immediate actions to help deliver improvements under phase one. For the year as a whole, significant progress has been made with actions undertaken including:

- "back to basics" operational improvement programme and introduction of strengthened commercial processes;
- significantly strengthened leadership team;
- streamlining and simplifying the Group's operational structure;
- consolidation of the Group's operations into a single site at Kirkby-in-Ashfield;
- increasing engagement with strategic customers;
- re-focused work winning approach;
- initiatives to improve asset (rig) utilisation; and
- improved employee engagement.

The Group is beginning to generate a stronger pipeline of opportunities, particularly larger projects with an increasingly strategic customer base which integrate several of its specialist capabilities and enable early involvement.

Strengthened commercial processes are expected to support consistent contract margin delivery, tighter risk management at bid stage and improved cash flows. The streamlined divisional structure has already reduced unnecessary complexity in the Group as well as reducing overhead costs, including anticipated annualised cost savings of over £1.0m for FY20.

The co-location of all personnel formerly dispersed across four offices in Pinxton and Kirkby-in-Ashfield has further improved internal collaboration and efficiency. This will be further enhanced when all plant and maintenance operations are also co-located at the same site later in FY20.

Target markets

As a Group we operate a diversified business model, targeted at growth markets where there is sustainable demand for our services. We see significant continued opportunity across our core target markets, being housebuilding, infrastructure and industrial and commercial, which are supported by favourable long-term trends and where Van Elle's range of services are of critical importance. Across each of these markets our work mix is carefully monitored to ensure we retain the essential regional strength of the business across mid-sized projects, but blended with carefully selected larger schemes that deliver greater utilisation and margin certainty and meet our cash flow and risk management criteria.

- Housebuilding remains the most important end market for Van Elle, making up the majority of the Group's revenues, and continues to be a key target market. As widely reported, the UK has a structural undersupply of new-build housing with cross-party support to increase housing output. With strong levels of demand, Van Elle expects to see increasing opportunities to support the delivery of homes quickly and efficiently, particularly with growing pressure to build on brownfield and marginal land.
- Infrastructure investment in the UK continues to grow as major spending plans are underpinned by national demand and essential maintenance requirements. Van Elle is well positioned having delivered numerous case study projects across all major infrastructure segments and is able to meet the increasingly complex and technical requirements of these projects.
- Industrial and commercial is supported by the Government's industrial strategy to increase productivity across the country. The market is seeing significant growth, particularly in distribution and logistics, as an increasing amount of industrial and warehouse space is needed to support demand from online retailers to sort and distribute orders efficiently. Large-scale projects have increasingly complex and technical requirements.

Chief Executive Officer's review continued

Operating performance

As previously reported, during FY19 the business experienced operational weaknesses in General Piling which were addressed by the operational review and management changes in late 2018. The "back to basics" imperative that emerged from this review is applicable to all divisions and has been a continuous feature of leadership focus through FY19 and into FY20. The introduction of our Perfect Delivery performance model, incorporating eight simple and transparent measures, is intended to consistently ensure the highest standards are achieved on every project in the Group.

In terms of FY19 performance, revenue reduced by 14.8% to £88.5m compared to FY18 (£103.9m) against a backdrop of challenging market conditions. Underlying operating margins reduced from 10.7% to 5.9% and reported operating margins reduced from 9.3% to 5.2%, from a combination of lower contribution to overheads from reduced sales and weaker operational performance from some divisions.

Markets

In our end markets we saw a broadly balanced exposure to our core sectors. Performance across our markets has been impacted by a combination of lower customer confidence, delayed decision making and, in turn, increased competition and pricing pressures.

The rail market is currently experiencing a lull in activity following the completion of electrification schemes and reduced spend towards the end of the current funding period CP5 and ahead of the start CP6.

Highways remains a buoyant market, where the Group continues to have significant bid success, but which has also been impacted by delays to project start dates.

In commercial and industrial, the period saw a notable slowdown in London, which has driven competition further afield outside the capital. However, the Industrial market presents a significant growth opportunity with the widespread development of "big shed" logistics capacity for which the Group's vibro techniques will help capture market share.

The reduced proportion of sales to the housing sector is explained primarily by fewer large projects in General Piling to multi-story developments. However, we have seen notable continued success with our Smartfoot® product offering.

The Group is developing a more strategic approach to work winning, focused on longer-term customer partnerships. This focus has resulted in the Group securing positions on attractive, long-term contracts which underpin a portion of FY20 performance whilst setting firm foundations for future growth across our markets.

Fleet and operating structure

Rig investment in the year has been modest with no new rigs procured but instead the business has concentrated on actions required to improve utilisation, reliability and self-build of new VSC rigs, the benefits of which will be seen in FY20. We have also disposed of eight rigs, reducing our total feel size from 123 to 115. The Group continues to benefit from a well-invested and modern fleet with significant flexibility to redirect resources to reflect short-term trends in our markets, a key strength of the business.

This year we report our operating performance in three segments rather than the previous four. This better reflects our streamlined divisional structure. The three segments, all on a national basis, are as follows:

- General Piling: open-site, larger projects, key techniques being large diameter rotary and CFA piling as well as larger precast driven piling.
- Specialist Piling: restricted access, rail, smaller rigs and engineering techniques, including soil nails and anchors and drill and grout projects.
- Ground Engineering Services: modular foundation solutions (e.g. Smartfoot®) and geotechnical services (trading as Strata).

The former Ground Engineering Products segment has been discontinued as a standalone reporting segment as the in-house production of precast piles and Smartfoot® beams are now considered as a cost centre in support of the above three segments as required, catering solely for our internal needs. Our production facilities continue to operate from three sites in Glasgow, Kirkby-in-Ashfield and Dereham, supplemented by external supply as necessary to meet peaks in demand.

General Piling

The General Piling division has the largest fleet within the Group and offers a wide variety of ground engineering solutions for open-site construction projects.

Revenue contracted by 15.6% in the year to £37.2m (2018: £44.1m), suffering from the uncertainties in the markets for the reasons described above.

The subdued markets resulted in low utilisation of our large diameter rotary and CFA piling rigs that not only suppressed revenue, but also impacted on margin mix as these techniques command higher gross margins. Weaker than anticipated operational execution of contracts, particularly in Q3, further compounded gross margin performance, resulting in a reduction in operating profit to £1.2m (2018: £5.4m).

The causes for the poor operational delivery were identified and actions taken in November 2018 to resolve the issues, which included a change of divisional leadership with the appointment of Malcolm O'Sullivan, former Managing Director of Balfour Beatty Ground Engineering, as the new General Piling Director just after the year end.

Specialist Piling

Revenue was approximately 24.9% lower at £28.6m (2018: £38.1m). Approximately £4.5m, or 45%, of this reduction reflects the decision to cease exposure to lump sum drill and grout activities following poor margins from works delivered in 2018. The remaining reduction in revenue, as with General Piling, reflects the impact of lower levels of confidence and demand in our end markets, particularly in the infrastructure sector, and the non-repeat of a small number of very large projects in FY18.

Rail-specific revenues fell by 10.9% over the year, with major electrification programmes coming to an end and reduced spend towards the end of the current funding period CP5 and ahead of the start CP6, which is expected to see momentum in spend.

In the second half of the year, whilst Rail saw strong demand for its services over the Christmas and Easter periods, other Specialist Piling contracts had contract start dates delayed, particularly on several highways projects that were due to start in Q4 FY19.

As a consequence, operating margins fell to £2.7m (2018: £3.6m).

Ground Engineering Services

Revenues of £22.6m represented a 4.6% increase on the prior year (2018: £21.6m). Our integrated piling and Smartfoot® foundation beam sales to housebuilders increased by £1.8m (9.8%). As the housing sector moves increasingly to modern methods of construction the time and resource savings of modular foundations are becoming better appreciated. In parallel our relationships with national housebuilders are maturing. As a Group, rigs and personnel have been deployed effectively to meet the increased demand.

Our in-house precast concrete pile and beam production facilities at Kirkby-in-Ashfield are working to maximum capacity such that we procured strategic supply chain partners to service the internal demand for our concrete products.

Strata, our geotechnical division, reported revenues of £4m, £0.4m down on last year, primarily impacted by reduced pile testing volumes as a result of both the General and Specialist Piling division's lower revenues and maturing external business development activity. We delivered our first contract with our new, first-in-class VeMog, which provides on-track site investigation capabilities to the rail infrastructure.

Operating profit for the year was £1.3m, down from £2.1m due to additional costs associated with scaling up operations to meet the demand for Smartfoot®-related sales.

Summary and outlook

This has been a year of transition for the business, having taken action to strengthen the leadership team, refine the Group's commercial approach, streamline operations and refocus on our customers.

Whilst it is disappointing to report that performance across the year has been impacted by a combination of widely reported market uncertainties and previously highlighted operational weaknesses, we are seeing tangible signs of operational and commercial improvement as well as growing demand for our range of specialist services, evidenced by encouraging enquiry levels and our strengthened order book.

Nevertheless, the Group is continuing to experience customer uncertainty, resulting in a quiet start to the current year in some segments and increased volatility in month-on-month performance. Whilst the improved customer-focused approach and positive order book development underpin the Board's confidence in the prospects for the Group in the medium term, the Board is mindful that market uncertainty and the resultant volatility may persist further into the current financial year, which would limit the rate at which near-term progress can be made.

Van Elle fundamentally remains a market-leading business with a clear strategy. Having seen the positive impact of the initial actions undertaken as part of phase one of the transition plan, we are confident that these steps as well as the further commercial and operational initiatives that will be deployed in the current year will leave us well placed to capture significant opportunities across our target markets today and into the future.

Mark Cutler
Chief Executive Officer
23 July 2019

OUR ROBUST AND DIVERSIFIED BUSINESS MODEL IS FOCUSED ON MID-SIZE PROJECTS

Our activities in the construction market are across a broad range of end markets but strategically targeted at the growth areas of housebuilding and infrastructure.

UK CONSTRUCTION MARKET OVERVIEW

The key underlying construction markets for the Group are primarily the housebuilding, infrastructure and commercial and industrial sectors.

Construction activity is expected to fall marginally in 2019 before growth of 1.4% in 2020.

Growth is expected in infrastructure of 9.3%, driven by large scale projects which will partially offset falls in the commercial and industrial sector.

The UK construction sector's underlying market growth in the calendar year 2018 was 0.7%*.

In 2019 we have taken advantage of our adaptability to changing conditions to align resources to flexibly move piling resources from housing to the commercial and industrial sector to meet demand for new logistics facilities which are a growth market.

NEW HOUSING

Having risen for six years, private housing output is expected to fall in 2019 mainly due to Brexit uncertainty, before resuming slow growth in 2020. The Government's "Help to Buy scheme" continues to support new build and still has targets of 300,000 net additional dwellings per year by the mid-2020s. However public sector housing is expected to grow significantly.

Our response

After a record 2018, housebuilding revenue fell back in the period, but we did see growth in the social housing sector.

Our modular beam foundation system revenues also increased in FY19 and our current order book provides encouragement that this growth can continue.

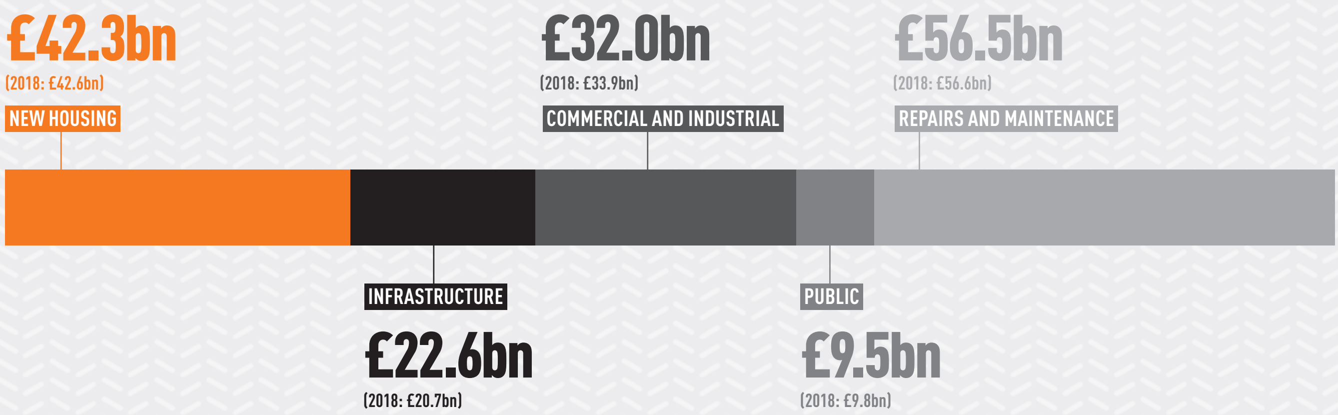
UK MARKET 2019*
−0.6%

VAN ELLE 2018/19
−25.2%

CPA'S GROWTH FORECASTS*

TOTAL UK CONSTRUCTION OUTPUT 2019

£162.9bn



INFRASTRUCTURE

Output is forecast to grow by 9% per annum over the forecast period driven by large scale projects in rail and electricity. However, there is concern over delivery to time and budget. As a result, rail output is expected to now grow by 5% in 2019, then 20% in both 2020 and 2021. Also, Highways England investment is expected to increase modestly throughout the period 2019 to 2021.

Our response

The new year sees the start of CP6, Network Rail's next budget period through to 2023. This offers the potential for securing and increasing revenues over this control period.

We are also entering FY20 with several smart motorway contracts either secured or in final negotiation stages with client decisions on award pending.

UK MARKET 2019*

+9.3%

VAN ELLE 2018/19

-14.4%

CPA'S GROWTH FORECASTS*

COMMERCIAL AND INDUSTRIAL

Commercial activity fell 6.0% in 2018 and further falls of 7.0% and 5.8% are forecast in 2019 and 2020. New orders in the retail sector fell to a record low in 2018 and subsector output is forecast to fall by 10% in both 2019 and 2020. The outlook for new offices is also weak with forecast falls of 11.0% and 4.0% in 2019 and 2020 respectively.

Our response

FY19 revenues grew 25.5% year on year from increased work in retail, leisure and education. We have developed our customer relationships in this sector and are focused on maintaining our healthy revenues during FY20.

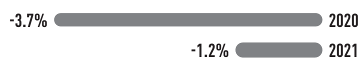
UK MARKET 2019*

-5.9%

VAN ELLE 2018/19

+25.5%

CPA'S GROWTH FORECASTS*



PUBLIC

Public sector construction is set to continue its downward trend in 2019 (-2.3%) before a return to modest growth in 2020 (0.4%) and 2021 (1.6%) as activity picks up on schools, prisons and health.

Our response

Revenue share in this end market is <2% but we will continue to bid for piling works on schools, prisons and health establishments.

UK MARKET 2019*

-2.3%

VAN ELLE 2018/19

-35.9%

CPA'S GROWTH FORECASTS*

* Source: Construction Products Association – Construction Industry Forecasts 2018–2020, spring 2018 edition.

> OUR ACTIVITIES IN THE CONSTRUCTION MARKET ARE ACROSS A BROAD RANGE OF END MARKETS BUT STRATEGICALLY TARGETED AT THE GROWTH AREAS OF HOUSEBUILDING AND INFRASTRUCTURE.

OUTLOOK

In April 2019, the Construction Products Association ("CPA") published its forecast of UK construction output. Overall its opinion is that construction activity is expected to fall marginally in 2019 before growth of 1.4% in 2020. Growth is expected in infrastructure (9.3%) driven by large scale projects. However, the forecast is based on either a Brexit with a deal or a further extension leading to an alternative deal so a protracted conclusion may create further uncertainty in end markets.

SIMPLE STRUCTURED APPROACH FOCUSED ON PERFECT DELIVERY

We offer a flexible model focused on operational efficiency, in areas where we believe there are attractive, long-term growth opportunities.

In providing geotechnical solutions, Van Elle typically operates in the early stages of a construction project. We are often the first contractor on and off site; consequently, working efficiently to minimise costs and save time is critical for our customer. Whilst the contractor relationships and construction processes vary significantly from project to project, ensuring work is completed efficiently is critical for our customers in saving them money and providing a sound platform for the remaining work on a project in terms of cost saving and programme.

Working across the construction spectrum, the majority of our projects are of short duration with an average value this year of £86,000 (2018: £109,000) and we completed more than 1,000 contracts during the year.

Early engagement of Van Elle usually guarantees efficiencies and savings are realised at the beginning of a project, particularly so with the complex projects in which we are regularly asked to participate in.

Depending on the nature of a project, Van Elle may provide insights into design and other phases of the construction process, but value is created and captured principally from our groundwork activities. Our products and services are not just about foundations for construction, but are most commonly geotechnical solutions to complex construction projects.

Our resources

OUR PEOPLE

- Leadership in health and safety with compliance, training and safety culture at the heart of everything we do
- High-quality project managers, engineers and operators capable of delivering innovatively engineered solutions
- Strong local relationships with customers providing an insight into market developments allowing us to drive for high-value solutions
- Specialists able to approach the most complex problems and ensure the customer achieves the optimum outcome
- Technical specialists in a wide variety of geotechnical solutions

OUR MARKET FOCUS

- Targeting markets that value geotechnical solutions
- Focusing investment and directing our resources into growth markets

OUR TECHNOLOGY

- State-of-the-art equipment to enable us to undertake the widest range of jobs in the shortest time
- Broad coverage for all geotechnical solutions, providing resilience to market changes and supporting us to lead on innovation
- Van Elle provides unique solutions giving improved customer results and Van Elle profitability
- Vertically integrated model ensures supply chain best practice
- In-house transport fleet enables us to respond to customer requirements promptly and enables high rig utilisation levels

OUR FINANCIAL STRENGTH

- Strong balance sheet with low level of gearing and excellent cash conversion

How we add value

SUSTAINABLE REINVESTMENT

ENQUIRIES

QUOTE

01 MARKETING

- Bid support
- Early client engagement
- Building on existing client relationships
- Focus on long-term partnerships
- Value engineering

ORDER

02 PLANNING

- Design and estimating
- Procurement
- Timely mobilisation
- Flexibility
- Dynamic contract scheduling

ON SITE

03 PERFECT DELIVERY

- Zero harm
- Zero defects on completion
- Completed in time
- Score >8 in customer survey

DELIVERY

PROFIT

Our value creation

OUR CUSTOMERS

- Provision of innovative, cost-effective geotechnical solutions to complex problems on time and within budget
- Quality products and exceptional service
- Enhanced credentials as a recognised leader in health and safety, which is a priority for us and our customers

RECURRING REVENUES

78.8%

OUR SHAREHOLDERS

- Delivering profitable growth with good cash conversion
- Progressive dividend policy
- Strong balance sheet with reinvestment in the business to support our strategy for growth
- Operational flexibility leading to high asset utilisation and return on capital employed

RECOMMENDED FINAL DIVIDEND

1p

OUR PEOPLE

- Attracting and developing excellent people to create a vibrant, diverse and flexible workforce
- Interesting and challenging careers in a diverse business that provides people with the opportunity to develop and reach their potential

APPRENTICES

10

PREDICTABLE PERFORMANCE, GROWTH AND MARGIN IMPROVEMENT

The Group's declared corporate objective is to grow and develop a sustainable business for the benefit of all our stakeholders.

As part of this strategy we intend to focus on increasing market share, expanding our services and product offering and enhancing earnings and accelerating our growth through complementary acquisitions.

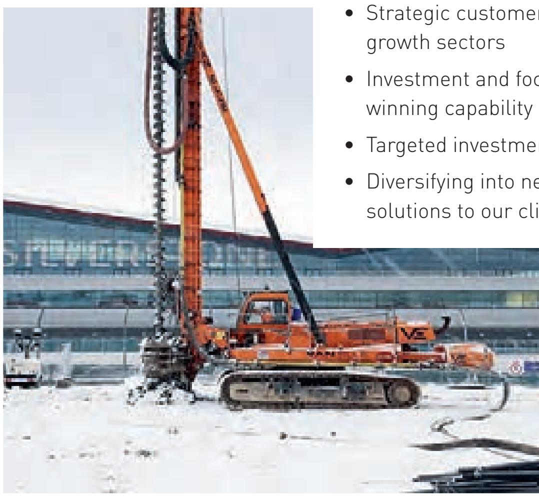
Our three core markets provide resilience and sustainable growth opportunities. Housing and infrastructure are expected to support strong growth in revenues, complemented to a lesser degree by commercial and industrial sectors.

Our strategic priorities

IMPROVING PERFORMANCE

- Streamlined structure and mature internal culture
- Enhanced operational performance and commercial capability
- Strengthened leadership and improved people development
- Targeted business improvement activities
- Closer and trusted customer relations

RE-ESTABLISHING GROWTH



- Strategic customer alignment in growth sectors
- Investment and focus on work winning capability
- Targeted investments in specialist rigs
- Diversifying into new techniques to expand solutions to our clients and markets

P18 | Find our key performance indicators
P20 | Find our risks

HOW WE PERFORMED

Revenue was reduced by 14.8% in the year and operating margins fell from 9.3% to 5.2% from a combination of lower contribution to overheads due to reduced sales and weaker operational performance across several divisions.

To address this during the year, overheads have been reduced in line with volumes and through streamlining the business from eight to five divisions.

Improvements have been introduced in bidding and work winning and operational performance improvements initiated, including strengthening management.

STREAMLINED STRUCTURE

8 TO 5 DIVISIONS

FUTURE OUTLOOK

The Company will continue to be agile by aligning its cost base to revenue volumes and allocate its resources across divisions to match to workloads.

We will continue to focus our attention on operational and commercial excellence across all divisions and on improved people development.

P25 | See investing in our workforce

LINKS TO KPIS

Revenue
Underlying earnings per share
Operating cash conversion
Underlying return on capital employed

LINKS TO RISKS

A rapid downturn in our markets
Non-compliance with our Code of Business Conduct
Product and/or solution failure
Ineffective management of our contracts
Not having the right skills to deliver

HOW WE PERFORMED

Current year performance has seen a reduction in what was previously a continuing trend of growth, impacted by a combination of uncertainty in our end markets and subdued investment due to Brexit.

REVENUE

-14.8%

OPERATING MARGIN

5.2%

FUTURE OUTLOOK

The geotechnical subsector has experienced subdued activity through 2018 and 2019, caused by market uncertainties, delayed investment and the post-Carillion effect. Several competitors have reported reduced work loads and trading difficulties.

These challenging conditions are expected to continue into early 2020, partly mitigated by the buoyant housing sector activity and later eased by post-Brexit certainty and CP6/HS2 starts.

LINKS TO KPIS

Revenue
Underlying operating profit
Underlying return on capital employed

LINKS TO RISKS

A rapid downturn in our markets
Failure to procure new contracts
Ineffective management of our contracts
Losing our market share
Contract slippage
Inability to finance our business

TRACKING GROWTH AND MONITORING RETURNS

The key performance indicators ("KPIs") we utilise are instrumental in measuring and ensuring the Company maximises its financial performance. These are cascaded throughout the business, measured monthly and reviewed annually against our strategic outlook.

REVENUE (£m)

£88.5m

-14.8%

Description
Revenue and revenue growth track our performance against our strategic aim to grow the business.

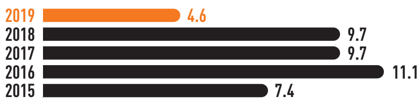
Performance
Revenue declined by 14.8% in the year following last year, which delivered the highest turnover ever for the Group, reflecting the general slowdown in the ground engineering markets due to uncertainties around investment decisions and project starts.

> KEY PERFORMANCE INDICATORS ENSURE THE COMPANY MAXIMISES ITS FINANCIAL PERFORMANCE.

REPORTED OPERATING PROFIT (£m)

£4.6m

-52.6%



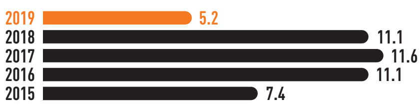
Description
Reported operating profit is the basis for calculating other reported KPIs and is after all categories of exceptional costs.

Performance
Reported operating profit has fallen 52.6% in 2019 to £4.6m, an operating margin of 5.2%. The fall is fundamentally down to the fall in revenues from £103.9m to £88.5m, compounded by weaker operational performance in several divisions impacting on gross margins.

UNDERLYING OPERATING PROFIT (£m)

£5.2m

-53.2%



Description
Tracking our underlying profitability ensures that the focus remains on delivering profitable outcomes on our contracts. It is a measure of pure operating performance including depreciation and amortisation charges but excluding financing and tax.

Performance
Underlying operating profit is after exceptionals, primarily restructuring costs, and is down 53.2% in the year; the underlying operating margin is 5.9%, down on last year's 10.7%. This was due to the impact on operating profit of the 14.8% drop in revenues year on year and previously mentioned weaker operational performance impacting gross margins.

OPERATING CASH CONVERSION (%)

106.3%

+23.7%

Description

By looking at cash generation at the operational level the quality of our profits can be tracked. This measure takes cash generated from operations as a percentage of EBITDA.

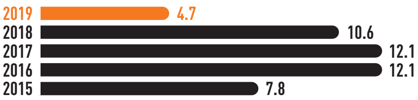
Performance

Healthy operating cash conversion of 106.3% in the year gives comfort that working capital is well managed and that operating profits convert into cash either for reinvestment in the business or distribution to shareholders.

UNDERLYING EARNINGS PER SHARE ("EPS") (P)

4.7p

-55.7%



Description

This KPI measures our after-tax earnings relative to the weighted average number of shares in issue and provides a monitor on how we are increasing shareholder value. Underlying EPS is stated before exceptional items and share-based payment charges.

Performance

The underlying EPS of 4.7p is down 56% on prior year's 10.6p reflecting the lower underlying operating profits delivered in the year.

REPORTED EARNINGS PER SHARE (P)

4.0p

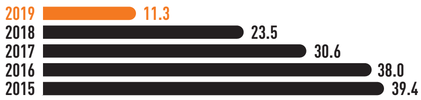
-56.5%

> NET DEBT HAS BEEN REDUCED TO £4.2M FROM £5.9M LAST YEAR.

UNDERLYING RETURN ON CAPITAL EMPLOYED ("ROCE") (%)

11.3%

-51.8%



Description

This measure indicates the rate of return per pound invested in the operating assets of the business. Capital employed is taken to be net assets excluding net debt and earnings is taken as underlying operating profit.

Performance

The ROCE of 11.3% reflects the impact of lower trading in the financial year on the operating profit and represents a lower return than considered desirable on funds invested over recent years. The ROCE has been diluted by lower utilisation of assets in generating operating profits in the year but is expected to return to previous levels in the next two years.

REPORTED RETURN ON CAPITAL EMPLOYED (%)

9.9%

-51.9%

P34 | Please refer to the financial review for financial data on key performance indicators

INCREASING SHAREHOLDER VALUE BY MANAGING RISKS TO DELIVER SUCCESS AND GROWTH

RISK MANAGEMENT FRAMEWORK

THE BOARD

THE AUDIT COMMITTEE

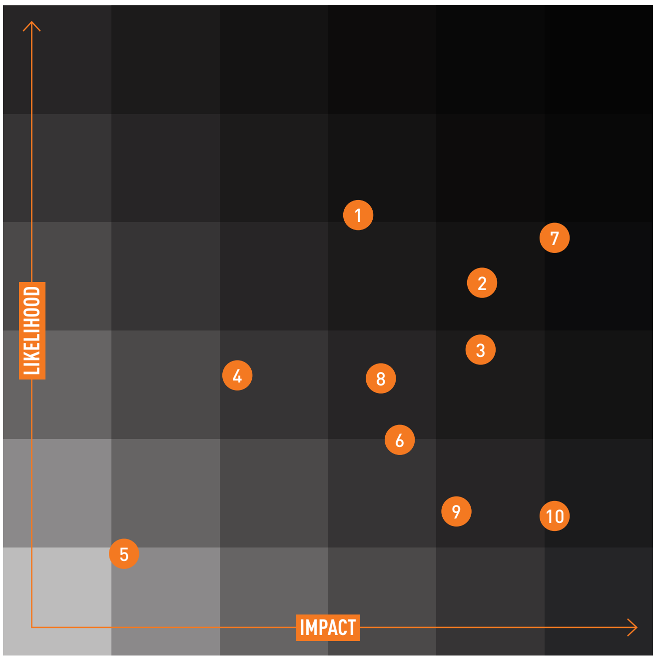
EXECUTIVE DIRECTORS | **NON-EXECUTIVE DIRECTORS**

EXECUTIVE COMMITTEE

DIVISIONAL DIRECTORS

OPERATIONAL MANAGERS | **COMMERCIAL MANAGERS**

RISK HEATMAP



P81 | See the principal financial risks disclosed in note 20

Risk management framework

The Board is responsible for setting the Group's risk appetite and ensuring that appropriate risk management systems are in place. The Board reviews the Group's principal risks throughout the year as part of its normal agenda, adopting an integrated approach to risk management by regularly discussing our principal risks. In addition, once a year the Board formally assesses the Group's principal risks, taking the strength of the Group's control systems and its appetite for risk into account.

How we identify risk

Our risk management process has been built to identify, evaluate, analyse and mitigate significant risks to the achievement of our strategy. Our risk identification processes seek to identify risks from both a top-down strategic perspective and a bottom-up local operating company perspective.

The principal risks and uncertainties identified by management and how they are being managed are set out opposite. These risks are not intended to be an extensive analysis of all risks that may arise in the ordinary course of business or otherwise.

Risks

1. A rapid downturn in our markets
2. Contract slippage
3. Failure to procure new contracts
4. Losing our market share
5. Non-compliance with our Code of Business Conduct
6. Product and/or solution failure
7. Ineffective management of our contracts
8. A failure to comply with health and safety and environmental legislation
9. Not having the right skills to deliver
10. Inability to finance our business

MARKET RISK

1 A RAPID DOWNTURN IN OUR MARKETS

Risk description	Potential impact	Mitigation	Change	Link to strategy
Inability to maintain a sustainable level of financial performance throughout the construction industry market cycle, which grows more than many other industries during periods of economic expansion and falls harder than many other industries when the economy contracts. Failure of a key client resulting in market volatility, e.g. Carillion. The Brexit negotiations could impact public spending in infrastructure, slowing and cancelling the award of new programmes of work.	Failure to continue in operation or to meet our liabilities.	Diversification of our markets, both in terms of geography and market segment. Having strong local businesses to address geographic markets and techniques. All revenues arise in the UK. Focus on longer-term partnerships and building on existing client relationships.	Uncertain markets in FY19 have impacted our performance and resulted in a 14.8% fall in turnover.	1 2

STRATEGIC RISKS

2 CONTRACT SLIPPAGE

Risk description	Potential impact	Mitigation	Change	Link to strategy
After award of contract, the anticipated start date can be deferred by our client.	Contract slippage can lead to consequential inaccuracies in forecasting and reduction to rig utilisations.	Ensuring order book is healthy allowing contract scheduling to fill the gap where contract start dates are deferred. Factor in slippage potential when forecasting.	Several large infrastructure contracts impacted year-end revenues due to deferred start dates.	1

3 FAILURE TO PROCURE NEW CONTRACTS

Risk description	Potential impact	Mitigation	Change	Link to strategy
A failure to continue to win and retain contracts on satisfactory terms and conditions in our existing and new target markets if competition increases, customer requirements change or demand reduces due to general adverse economic conditions.	Failure to achieve targets for revenue, profit and earnings.	Continually analysing our existing and target markets to ensure we understand the opportunities that they offer. Strengthened bid review process throughout the Group with well-defined selectivity criteria, designed to ensure we take on contracts only where we understand and can manage the risks involved. Created new role of Pre-construction Director to oversee bidding, sales and marketing to refocus on revenue growth.	Uncertain markets in FY19 have seen the number of new contracts procured fall, reducing turnover by 14.8% on prior year.	1

4 LOSING OUR MARKET SHARE

Risk description	Potential impact	Mitigation	Change	Link to strategy
Inability to achieve sustainable growth, whether through acquisitions, new products, new geographies or industry-specific solutions.	Failure to achieve targets for revenue, profits and earnings.	Continually seeking to differentiate our offering through service quality, value for money and innovation. A business development team focusing on our customers' requirements and understanding our competitors. Minimising the risk of acquisitions, through due diligence and structured and carefully managed integration plans. Implementing annual efficiency and improvement programmes to help us remain competitive.	Focused on refining strategic client relationships in growth sectors of housebuilding and infrastructure.	1 2

Risk management and principal risks continued

Risk description	Potential impact	Mitigation	Change	Link to strategy
STRATEGIC RISKS CONTINUED				
5 NON-COMPLIANCE WITH OUR CODE OF BUSINESS CONDUCT				
Not maintaining high standards of ethics and compliance in conducting our business or failing to meet local or regulatory requirements.	Losing the trust of our customers, suppliers and other stakeholders with consequent adverse effects on our ability to deliver against our strategy and business objectives. Substantial damage to our brand and/or large financial penalties.	Having clear policies and procedures in respect of ethics, integrity, regulatory requirements and contract management. Maintaining training programmes to ensure our people fully understand these policies and requirements. Operating and encouraging the use of a whistleblowing facility.	▼ Developed a new robust induction process to ensure that integration into Van Elle is as effective and supportive as possible.	1 2
OPERATIONAL RISKS				
6 PRODUCT AND/OR SOLUTION FAILURE				
Failure of our product and/or solution to achieve the required standard.	Financial loss and consequent damage to our brand reputation.	Continuing to enhance our technological and operational capabilities through investment in our product teams, project managers and engineering capabilities.	– Operational review to ensure robust in-house design and elimination of poor workmanship.	1 2
7 INEFFECTIVE MANAGEMENT OF OUR CONTRACTS				
Failure to manage our contracts to ensure that they are delivered on time and to budget.	Failure to achieve the margins, profits and cash flows we expect from contracts.	We ensure we always undertake credit checks on potential customers. We have a diversified customer base with no single customer accounting for >10% of total turnover. Ensuring we understand all our risks through the bid appraisal process and applying rigorous policies and processes to manage and monitor contract performance. Ensuring we have high-quality people delivering projects. A new Perfect Delivery Concept has been introduced, setting criteria to achieve effective first-class solutions to our clients.	▲ Contract margin performance in General Piling weaker than anticipated with causes identified and action taken to resolve the issues.	1 2

Risk description	Potential impact	Mitigation	Change	Link to strategy
OPERATIONAL RISKS CONTINUED				
8 A FAILURE TO COMPLY WITH HEALTH AND SAFETY AND ENVIRONMENTAL LEGISLATION				
Causing a fatality or serious injury to an employee or member of the public through a failure to maintain high standards of safety and quality.	Damage to employee morale leading to an increase in employee turnover rates, loss of customer, supplier and partner confidence, and damage to our brand reputation in an area that we regard as a top priority.	A Board-led commitment to achieve zero accidents. Visible management commitment with safety tours, safety audits and safety action groups. Implementing management systems that conform to Occupational Health and Safety Assessment Systems (ISO 9001, ISO 14001 and OHSAS 18001). Extensive mandatory employee training programmes.	–	1 2
9 NOT HAVING THE RIGHT SKILLS TO DELIVER				
Inability to attract and develop excellent people to create a high-quality, vibrant, diverse and flexible workforce.	Failure to maintain satisfactory performance in respect of our current contracts and failure to deliver our strategy and business targets for growth.	Continuing to develop and implement leadership, personal development and employee engagement programmes that encourage and support all our people to achieve their full potential. Pre-employment checks ensure we have the right people in the right roles.	– New HR Manager recruited and review of recruitment and induction processes underway.	1 2
FINANCIAL RISKS				
10 INABILITY TO FINANCE OUR BUSINESS				
Losing access to the financing facilities necessary to fund the business.	Breach of banking covenants or failure to continue in business or to meet our liabilities.	Procedure to monitor the effective management of cash and debt, including weekly cash reports and regular cash forecasting.	– Net debt reduced through efficient management of working capital and reduced capital spend in FY20 compared to prior years.	1 2

COMMITTED TO CONDUCTING BUSINESS WITH FAIRNESS, HONESTY AND INTEGRITY

Corporate responsibility, awareness and mitigation of adverse impacts on the environment, and positive engagement with our employees and the local community have long been core values of Van Elle.

Approach

The Company is committed to conducting business with fairness, honesty and integrity. The Board recognises its responsibility for establishing high ethical standards of behaviour and corporate governance, and the Group has several established policies in place including, but not limited to: anti-bribery and corruption; health and safety; environmental protection; sustainable development; quality assurance; equal opportunities; equality and diversity; training and development; whistleblowing; and modern slavery, supporting our approach to conducting business in an open and transparent manner.

The Company expects its employees to conduct themselves in a manner which reflects the highest ethical standards and comply with all applicable laws and regulations. Employees are judged not only on the results they achieve, but also on how they achieve them. Furthermore, the Company has a zero-tolerance policy towards any form of bribery or corruption and has training and an appropriate procedure in place whereby any concerns in relation to malpractice can be raised in an appropriate forum.

It is our policy to ensure that the highest possible standards are achieved and maintained throughout the Company and that we strive for continual improvement. We therefore operate an integrated business management system in accordance with the requirements of ISO 9001, ISO 14001 and OHSAS 18001.

Safety

At Van Elle the health, safety and well being of our staff is paramount and every precaution is taken to protect them and fellow contractors on site. As the largest independent geotechnical engineering contractor in the UK, it is our duty and priority to ensure the safety of our employees whilst at work.

Our dedicated safety team undertakes regular internal audits of our procedures to ensure they are as comprehensive as possible, highlighting any areas for improvement.

As members of all the industry's key recognised certification and qualification schemes, our systems are under constant review by external bodies promoting best practice. We are Network Rail Plant Operations Scheme ("POS") providers and are active members of the Federation of Piling Specialists ("FPS") and the British Drilling Association ("BDA").

To us, health and safety is about striving for continuous improvement in our performance.

This trend can falter but through identification of causes and briefings to refocus the business, we are continually addressing and improving performance.

Our KPIs are detailed in the table below.

Van Elle is an accredited CITB training provider, delivering health and safety awareness, site supervisor safety training scheme and site management safety training scheme courses. We are also a CSCS platinum award holder.

As an employer, we recognise the importance of mental health awareness. It can be difficult to balance the pressures of work with the needs of home life and we now run an Employee Assistance Programme, through which employees and their immediate families can access confidential support services.

HSQE KPIs 2015–2019

	Calendar year				
Category	2015	2016	2017	2018	**YTD 2019**
Hazard – near miss reports	954	918	791	884	**241**
Environmental incidents	3	1	—	2	**1**
Minor injuries	37	20	18	36	**9**
<7-day lost time injuries	6	6	10	3	**—**
>7-day lost time injuries (RIDDOR reportable)	1	4	1	2	**—**
Specified injury (RIDDOR reportable)	—	3	1	1	**1**
Dangerous occurrence	1	—	—	—	**—**
Fatal	—	—	—	—	**—**
RIDDOR accident incident rate ("AIR")/1,000 employees	2.36	13.70	3.40	5.70	**1.71**
RIDDOR accident frequency rate ("AFR")/100,000 hours	0.09	0.53	0.14	0.21	**0.30**

> TO US, HEALTH AND SAFETY IS ABOUT STRIVING FOR CONTINUOUS IMPROVEMENT IN OUR PERFORMANCE.

People

Investing in our workforce

At the heart of Van Elle lies the belief that our people are our greatest asset. We recognise that their behaviours and choices are crucial to performance. Fundamental to our approach is the knowledge, competence and skills of our workforce gained through awareness and structured training, and this is recognised externally where we hold Investors in People silver accreditation.

We truly understand that the employee's first impression of our Company is paramount and that is why we have developed a robust induction process to ensure the integration is as effective and supportive as possible. From the initial interview right through to the first few days and weeks, our onboarding process creates a positive lifecycle within our business.

We only recruit the best of the best through our vigorous recruitment agencies and "refer a friend" scheme, ensuring that those invited to join our Company understand our commitment to them and vice versa. Our pre-employment checks ensure that we have the right people in the right jobs and the Company values and commitments are simultaneously aligned to the business objectives.

All new recruits have an opportunity from the outset to meet with the Directors and other team members at our Induction Meeting held quarterly. We cover a myriad of topics including health and safety, compliance, the journey of the business past, present and future, HR and other functions, policies and procedures.

We focus heavily on "team work", trust and honesty – that is how the business has grown to become the largest geotechnical contractor in the United Kingdom.

Our induction process is not just a tick box exercise, it is bespoke to each individual and their job requirements and is the prerequisite to our commitment to invest heavily in our workforce, dedicating time and resources so that every individual can develop career paths within the Company.

We have a vision to help train a highly competent workforce in order to safeguard exemplary health and safety standards and meet the needs of future skills shortages in the industry. We support the general industry commitment to have 5% of our workforce in apprenticeship, graduate and formalised training schemes within five years of joining (www.5percentclub.org.uk).

This way we will ensure that we continue to maintain and control our high standard of training and provide flexibility in succession planning.

We are also offering training to external candidates.

Communication

We appreciate the mutual benefits of keeping employees informed and take appropriate steps to ensure that they are kept aware of matters of concern and factors that affect the performance of the Company. We value the views of our employees and consult with them when making decisions which affect their interests.

We maintain communication channels with our staff using a combination of weekly face-to-face meetings, our intranet and website, CEO blogs and monthly Town Hall Briefings newsletters, together with a Works Committee comprising colleagues from all levels of the organisation.

In January 2019 we set out to bring together HQ and all divisions of Van Elle under one roof to improve communication and teamwork across the business. Also by having all staff, and in the future all yard activities, concentrated alongside our training centre, transport and precast factory, we anticipate further collaboration and efficiencies.

Corporate social responsibility continued

> AS AN EMPLOYER, WE RECOGNISE THE IMPORTANCE OF MENTAL HEALTH AWARENESS.

People continued

Diversity and equality

At Van Elle we are a proud Investor in People and our policies address equal opportunities and diversity. It is in the interests of the Company and its employees to utilise the skills of the total workforce and any appointments and promotions are based on suitability, capability and qualifications.

The Group is committed to providing equal opportunities to all current and future employees and values the difference that a diverse workforce can contribute to the organisation.

The Group recognises its obligations towards employment of disabled people and gives full and fair consideration to suitable applicants, having regard to individuals' aptitudes and abilities. The Company is committed to ensuring that everyone is treated equally regardless of disability or any other condition which cannot be shown to be relevant to their performance. The Company is committed to ensuring that any individual who becomes disabled during their employment remains in their own role where possible or is employed in another suitable position. Training, career development and promotion of disabled employees will be, as far as possible, identical to that of other employees.

Van Elle is committed to building and developing a more diverse workforce. In general, females have been under represented in our sector, which has traditionally been, and continues to be, male dominated, primarily because of fewer women choosing to follow a qualification/career in construction and engineering.

Our commitment to learning and development is continuous. We intend to maximise the Apprenticeship Levy scheme to offer both existing and new staff, both male and female, the opportunity, skills and qualifications that they need to develop their careers within the industry. We are also engaging directly with further education establishments to encourage more females to enter the construction and engineering sector. Both processes are aimed at addressing the challenge of increasing female representation within our workforce and will ultimately lead to reducing the pay gap.

Gender pay gap reporting is not about equal pay although our policy is to pay employees equally for the same or equivalent work, regardless of their gender.

Environment and sustainability

In a sector where the use of steel and concrete is inevitable, Van Elle considers this subject very seriously and reviews waste reduction and the use of recycled products and alternative materials at every opportunity.

Our vision includes:

- the use of competitive local suppliers;
- working with our supply chain to propose the most environmentally friendly materials for each project;
- working with our suppliers to develop new, more sustainable materials with a higher recycled content, producing less waste product and requiring less water usage;
- reducing and avoiding the production of waste when on site; and
- producing engineered, bespoke solutions in house to address several industry requirements including sustainability.

Having increased our manufacturing capabilities over recent years we have this year purchased a cage-welding machine which has enabled the Company to reduce welding fumes, vibration and CO_2 emissions as identified during our last ISO 14001 and 18001 certification audits.

We always engage with the communities local to projects with which we are involved, welcoming feedback based on our interaction with the community, the impact of our services, our responsibility and actions taken.

Some ways in which we minimise the impact of our services upon the environment include:

- the use of recycled steel tube, formerly used in the oil industry, to form steel piles;
- the use of biodegradable oils in our rigs;
- the use of pulverised fuel ash ("PFA"), a waste product from coal-fired power stations, in our grout products to reduce non-sustainable product usage;
- recycling schemes within all offices and yards;
- in-house design team allowing us to optimise our solutions to minimise material content by reducing the number, depth and steel content of all products. We will often propose more sustainable, value-engineered options as well as pricing the client's required solutions; and
- dedicated in-house research and development of new products and techniques such as Smartfoot® precast modular foundations.

Supporting local communities and charities

Although it is a requirement of many tenders and frameworks, Van Elle recognises the importance and advantages in engaging with the communities in which we work, and we take every opportunity to do just that. We have a wealth of skills and experience within the business which are regularly utilised to provide a long-lasting, positive legacy to the areas surrounding the projects with which we are involved.

Not only do we support businesses across the UK in developing their knowledge of modern and innovative ground engineering solutions through our CPD programme, but we regularly engage with universities, colleges and schools to build awareness, interest and enthusiasm around the construction, manufacturing and engineering industries. As part of this process, one of our Directors sits on the board of one of the UK's largest specialist colleges.

Every year we support chosen charities with donations made by employees direct from salary and matched by the Company. Last year our chosen charities were "Epilepsy Action" and "Mind", and this year it is Bluebell Wood Children's Hospice.

SUPPORTING

LOCAL COMMUNITIES AND CHARITIES

2018 CHARITY SUPPORT

In 2018, Van Elle raised £20,000 to be shared between "Epilepsy Life" and "Mind" and here can be seen the handover of cheques to the two charity representatives.

2019 CHOSEN CHARITY – BLUEBELL WOOD CHILDREN'S HOSPICE

Bluebell Wood is a children's charity based in Rotherham. Founded in 1998 it provides a home from home for terminally ill children and their families, a place where the whole family can relax with well-needed care and support.

GENERAL PILING

OPEN PILING SOLUTIONS TAILORED TO CLIENTS' NEEDS

OUR YEAR IN REVIEW

The General Piling division has the largest fleet within the Group and offers a variety of ground engineering solutions for open-site construction projects.

Revenue contracted by 15.6% in the year to £37.2m, suffering from the uncertainties in the markets causing a slowdown in new investment project starts following the demise of Carillion in the first half of the year and the protracted conclusion to Brexit in the second half.

The subdued markets have resulted in low utilisation of our large diameter piling rigs that not only suppressed revenue, but also impacted on gross margin performance as these techniques command higher gross margins. Weaker than anticipated operational execution of contracts has further compounded gross margin performance, resulting in operating profit of £1.2m (2018: £5.4m).

The causes for the poor operational delivery were identified and actions taken to resolve the issues, which included a change of divisional management.

Management believes that there is an opportunity to increase the utilisation of the larger diameter rigs, in particular targeting the London and South East markets, and the division will refocus on recapturing additional revenue from larger and more complex construction projects.

DIVISION HIGHLIGHTS

REVENUE (£m)

£37.2m

-15.6%

2019	37.2
2018*	44.1
2017*	43.0

OPERATING PROFIT (£m)

£1.2m

-76.9%

2019	1.2
2018*	5.4
2017*	4.6

REVENUE SHARE

42.1%

* Restated.

WHAT WE DO

General Piling delivers outstanding results for our customers on civil, construction, building and infrastructure projects anywhere throughout the UK.

In doing so, we offer design and construction solutions as well as provide value engineering, partnering and construct only services.

Once a project is completed, the foundations we have built can neither be seen nor inspected, yet they are required to perform throughout their design lives. This is a measure of our clients' faith in the reliable, quality assured work we deliver. General Piling's impressive range of state-of-the-art piling rigs, tools and hammers is complemented by an extensive fleet of ancillary equipment. This capacity allows us to meet a range of foundation problems with solutions tailored to each project's unique combination of loads and soil conditions.

Augered piling

- Continuous flight auger ("CFA")
- Sectional flight auger ("SFA")
- Cased auger piling ("CAP")
- Rotary bored piling
- Cased secant piling ("CSP")

Driven piling

- Precast piling
- Steel tube piling
- Cast in situ piling
- Steel sheet piling
- H sections steel piling

Drilled piles

- Odex rotary percussive
- Duplex rotary percussive
- Elemex rotary percussive

SPECIALIST PILING

SPECIALIST SOLUTIONS FOR RAIL, HIGHWAYS AND INFRASTRUCTURE

OUR YEAR IN REVIEW

Revenue disappointingly fell almost £10m to £28.6m, a fall of 24.9%.

Significantly, as with General Piling, revenues were impacted by the uncertainties in the markets, in particular infrastructure projects for the Specialist Piling division. Additionally, revenues fell by c.£4.5m from delivery of ground stabilisation techniques following a refocus and selective approach to contract tendering follow poor margins from works delivered in 2018.

Rail revenues fell by 10.9%, with electrification work slowing as Network Rail's CP5 ended in April 2019, in anticipation of CP6 budget spend starting.

In the second half of the year, whilst Rail saw strong demand for its services over the Christmas period, several contracts in Specialist Piling had contract start dates delayed, particularly on highways projects that were due to start in Q4 of this financial year.

Reflecting the fall in revenue, operating profit reduced by 25.3% to £2.7m from £3.6m. However, operating margin this year was 9.4% as last year.

The Directors believe that the Group's competitive position within the restricted access piling market is particularly strong due to the high technical barriers to entry.

The Directors believe that the rail sector presents a particularly significant growth opportunity for the Group during CP6 as it is well positioned to win additional work.

DIVISION HIGHLIGHTS

REVENUE (£m)

£28.6m

-24.9%

2019	28.6
2018*	38.1
2017*	37.9

OPERATING PROFIT (£m)

£2.7m

-25.3%

2019	2.7
2018*	3.6
2017*	6.1

REVENUE SHARE

32.3%

* Restated.

WHAT WE DO

The Specialist Piling division comprises the Specialist Piling and Rail divisions.

Specialist Piling provides a range of piling and other geotechnical solutions in operationally constrained environments such as inside existing buildings, under bridges and in tunnels and basements, as well as off-track rail environments. Additionally, we offer nails and anchors and drilling and grouting techniques for ground stabilisation projects required for large civil engineering projects, such as motorway expansion and embankment cutting, as well as new-build residential schemes.

Van Elle Rail delivers outstanding results for our customers on civil, construction, building and infrastructure projects throughout the UK's rail network. We offer a complete design service as well as providing value-engineered piling, foundation, civil engineering and embankment stabilisation solutions.

Van Elle's impressive fleet of state-of-the-art rigs, RRVs and attachments enables us to meet a range of foundation requirements with solutions tailored to each project's unique combination of loads and soil conditions.

We are continually developing and introducing many innovative, sustainable, exciting techniques and new products to the rail industry ensuring that HS2 and CP6 will deliver best-value solutions for our clients and the British public alike.

GROUND ENGINEERING SERVICES

SOLUTIONS FOR GROUND INVESTIGATION; COMPLETE OFFER FOR HOUSEBUILDERS

OUR YEAR IN REVIEW

Revenues of £22.6m represented a 4.6% increase on last year's £21.6m.

Encouragingly, Smartfoot®-related sales to housebuilders, both piling and beam installation works, increased by £1.8m (9.8%). Consequently, as the housing sector's move to modular builds is supporting continued growth, and to meet increasing demand, during the year rigs and personnel have been deployed to maximise the opportunity.

Our in-house production facilities are working to maximum capacity and we have taken to using the supply chain to service the demand for our concrete products, including the Smartfoot® beam manufacture.

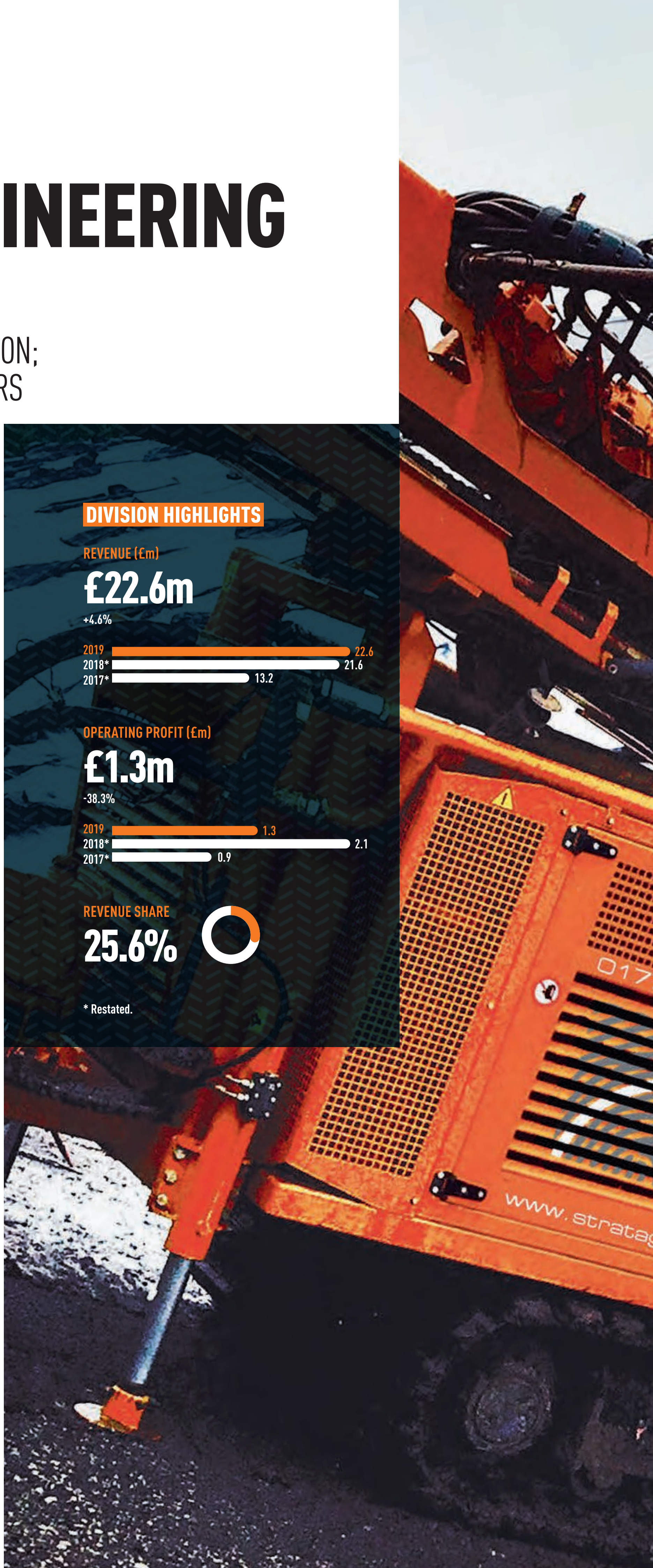
Strata revenues of £4.0m were £0.4m down on last year, with last year including delivery of the division's largest ever single contract of £0.9m for site investigation work on the M6.

Significantly, we delivered our first contract with our new, first-in-class VeMog, which provides on-track site investigation capabilities of rail infrastructure. Operating profit for the year was £1.3m, down from £2.1m due to additional costs associated with scaling up operations to meet the demand for Smartfoot®-related sales.

Given the large addressable market for geotechnical and housebuilding services, the Directors believe that there is scope to increase the division's market share by capitalising on the Group's established brand and reputation.

Strata can leverage the Group's strong position in the rail market by providing its range of geotechnical services on track, in particular with the VeMog.

The Directors believe that long-term structural shortages in UK housing provides a clear opportunity to continue the increase in revenues delivered this year, to grow Smartfoot® market share.



DIVISION HIGHLIGHTS

REVENUE (£m)

£22.6m

+4.6%

2019	22.6
2018*	21.6
2017*	13.2

OPERATING PROFIT (£m)

£1.3m

-38.3%

2019	1.3
2018*	2.1
2017*	0.9

REVENUE SHARE

25.6%

* Restated.

WHAT WE DO

Ground Engineering Services comprises services through the Strata and Housing divisions.

Strata Geotechnics' experience and expertise in drilling, sampling, analysing and reporting is well known throughout the industry for providing robust data which gives the necessary information to enable the relevant follow-on trades to minimise subsequent costs and/or programme implications. It also provides clients the opportunity to address design, planning and land purchase quandaries or avoid previously unrecognised risks prior to incurring avoidable costs.

Van Elle Housing has a complete offer for the housebuilder whatever the scale of the development. Van Elle has built an unrivalled reputation for delivering fast, value-engineered and proven foundation solutions for housing developments across the UK. The Company understands housebuilders' needs of maximising land use, minimising construction costs and delivering homes quickly and efficiently.

Led by the requirements of our clients for a high-quality precast foundation system that could integrate with a range of piled foundation solutions Van Elle developed the Smartfoot® precast modular foundation system. NHBC approved, Smartfoot® is now the preferred system for many of the UK's largest and specialist housebuilders due to the economic and time-saving features of the system compared to traditional trench filled foundations and other precast systems.

Van Elle offers a comprehensive range of techniques for the housing sector providing support at all stages of development, including:

- Ground investigation and geoenvironmental consultancy
- Grouting
- Vibro stone and vibro concrete columns
- Contiguous flight auger piling
- Driven piling
- Smartfoot® precast modular foundation system

Financial review

TRANSITIONAL YEAR IN DELIVERING ON OUR GROWTH STRATEGY

HIGHLIGHTS

- Revenue of £88.5m, down 14.8% year on year
- Underlying EBITDA of £9.6m
- Underlying operating profit of £5.2m, 5.9% return
- Excellent operating cash conversion at 106.3%
- Strong balance sheet with net debt down to £4.2m from £5.9m
- Year-end cash balance stands at £8.0m

> STRONG BALANCE SHEET WITH NET DEBT DOWN TO £4.2M FROM £5.9M.

Revenue

The Group saw a decline in revenue during the year, with turnover falling to £88.5m (2018: £103.9m) against a backdrop of a subdued market post Carillion's demise in January 2018 and a nervousness to commence new contracts until Brexit arrangements have been finalised.

	2019 £'000	2018 £'000	Change %	**2019 %**	2018 %
H1	**42,921**	52,642	(18.5)	**48.3**	50.7
H2	**45,547**	51,230	(11.1)	**51.7**	49.3
Revenue	**88,468**	103,872	(14.8)	**100.0**	100.0

Group results are traditionally seasonally weighted to H2 due to work patterns over the Christmas and Easter holiday periods, particularly in the infrastructure sector, and this year reverted back to this trend after last year when H1 performance was marginally ahead of H2. Turnover in FY19 H1, and a quiet start to the first quarter of FY19, was impacted by the demise of Carillion and continuing Brexit uncertainty affecting investment decisions by clients to defer commencement of larger projects. FY19 H2 turnover saw revenue run rates increasing but, despite encouraging progress in work winning, some contract awards and start dates were delayed by customers.

Our strategy is to direct our resources and investment into growth markets and, by tracking enquiry levels by end market, this acts as a barometer for identifying trends and targeting our activities into the growth areas. The mix of revenue by end markets is shown below:

	2019 £'000	2018 £'000	Change %	**2019 %**	2018 %
Housebuilding	**38,807**	51,884	(25.2)	**43.8**	49.9
Infrastructure	**27,670**	32,343	(14.4)	**31.3**	31.1
Commercial and industrial	**20,532**	16,357	25.5	**23.2**	15.7
Public sector	**1,378**	2,149	(35.9)	**1.6**	2.1
Other	**81**	1,139	(92.9)	**0.1**	1.1
Revenue	**88,468**	103,872	(14.8)	**100.0**	100.0

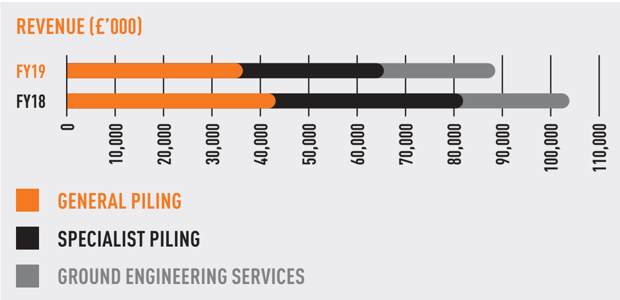
New housing and infrastructure continued to dominate revenues this year although housebuilding has fallen to 43.8% of total turnover, with a swing in sales mix reflecting a strong uptick in commercial and industrial revenues to 23.2% of our total with several significant hotel, retail and education contracts delivered.

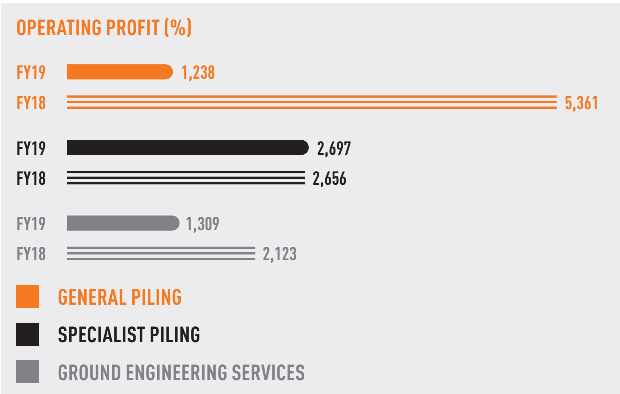
The mix of revenue by our divisions is shown below:

	2019 £'000	2018 £'000	Change %	**2019 %**	2018 %
General Piling	**37,201**	44,100	(15.6)	**42.1**	42.5
Specialist Piling	**28,630**	38,136	(24.9)	**32.4**	36.7
Ground Engineering Services	**22,637**	21,636	4.6	**25.5**	20.8
Revenue	**88,468**	103,872	(14.8)	**100.0**	100.0

The changing mix across divisions reflects the impacts on General Piling and Specialist Piling of uncertainties around investment decisions and project starts caused by the delays in finalising Brexit.

Ground Engineering Services grew revenues from increased Smartfoot®-related sales following expansion of our production capabilities last year, to meet increasing demand for our modular beams.





NET ASSETS

£42.1m

(2018: £41.4m)

NET DEBT

£4.2m

(2018: £5.9m)

OPERATING CASH CONVERSION

106.3%

(2018: 85.9%)

Gross profit

The gross margin of the Group has reduced to 31.9% (2018: 33.1%), primarily the result of operational weaknesses in delivering contracts during Q3 of the year in the General Piling division as well as the adverse mix impacts described above.

Operating profit

The 14.8% reduction in revenues year on year and weaker operational performance delivering lower contribution to overheads translated into operating profit for the year ended 30 April 2019 of £4.6m (2018: £9.7m).

	2019 £'000	2018 £'000	Change %
Operating profit	**4,562**	9,710	(53.0)
Underlying operating margin	***5.9%***	*10.7%*	
Operating margin	***5.2%***	*9.3%*	

Our underlying operating margin has decreased to 5.9% (2018: 10.7%) and our reported operating margin to 5.2% (2018: 9.3%). Estimates for plant and machinery depreciation rates and residual values were changed reducing the change in the year by £1.1m.

Exceptional costs

Exceptional items, by their size, incidence or nature, are disclosed separately to allow a better understanding of the underlying performance of the Group. During the year, exceptional items of £559,000 were incurred principally in respect of:

- restructuring including redundancy and related consultancy costs as the Group was streamlined from eight to five divisions; and
- also included in the year is a one-off loss of £90,000 following a settlement the Company reached with a supplier relating to non-compliant plant and machinery.

See note 7 to the consolidated financial statements.

The Board believes that the underlying performance measures for operating profit, PBT and EPS, stated before the deduction of exceptional items and share-based payment charges, give a clearer indication of the actual performance of the business.

Net finance costs

Net finance costs were £527,000 (2018: £536,000) and interest was covered 8.7 times (2018: 18.1 times). The slight reduction in costs reflects the low capital investment in the year (requiring only one new financing agreement for the only new addition to the rig fleet) and the reducing financial liabilities as hire purchase contracts reach their term. HP agreements are at fixed rates of interest and normally for a five year term.

Financial review continued

Taxation

The effective tax rate for the year was 18.0% (2018: 18.9%).

The Group paid £1,366,000 (2018: £1,768,000) of corporation tax during the year.

Dividends

On 6 March 2019, the Company paid an interim dividend of 1.0p per share.

In light of the Group's performance and ensuring a strong focus on cash management in the short term, the Board is recommending a final dividend of 1.0p (2018: 2.3p), making a total of 2.0p (2018: 3.7p) and reflecting the Board's continued confidence in the long-term prospects for the business.

Subject to approval at our Annual General Meeting of shareholders on 12 September 2019, the recommended final dividend will be paid on 27 September 2019 to shareholders who are on the register on 6 September 2019.

The Board fully recognises the importance of dividends to shareholders and the creation of shareholder value.

Earnings per share

Reported basic earnings per share was 4.0p (2018: 9.2p) and the underlying basic earnings per share was 4.7p (2018: 10.6p), based on underlying earnings of £3,788,000 (2018: £8,516,000). Underlying earnings are stated after adding back £559,000 of exceptional costs and £123,000 of share-based payment charges.

Balance sheet summary

	2019 £'000	2018 £'000
Fixed assets (including intangible assets)	**40,775**	41,826
Net working capital	**6,934**	7,437
Net debt	**(4,232)**	(5,905)
Taxation and provisions	**(1,416)**	(1,992)
Net assets	**42,061**	41,366

The Group has increased net assets by £0.7m to £42.1m (2018: £41.4m) during the year.

The Group only invested in one specialist rig with capital expenditure of only £3.6m (2018: £13.2m) in the year and a corresponding annual depreciation charge of £4.3m (2018: £5.7m), this fall in charges following the change in estimates for depreciating plant and machinery (refer to notes to the accounts, Property, plant and equipment for details).

The ROCE has decreased in the period to 9.9% at 30 April 2019 (2018: 20.5%), reflecting the impact of reduced operating profits.

Analysis of net debt

	2019 £'000	2018 £'000
Bank loans	**(975)**	(1,125)
Other loans	**(15)**	(109)
Finance leases	**(11,239)**	(15,551)
Total borrowings	**(12,229)**	(16,785)
Cash and cash equivalents	**7,997**	10,880
Net debt	**(4,232)**	(5,905)

Net debt has decreased by £1.7m to £4.2m at 30 April 2019, reflecting the reduction in finance lease liabilities serviced in the year and maximising the bank balance through robust working capital management against the backdrop of the reduction in operating profits.

Cash flow summary

	2019 £'000	2018 £'000
Operating cash flows before working capital	**8,995**	15,417
Working capital movements	**468**	(2,173)
Cash generated from operations	**9,463**	13,244
Net interest paid	**(527)**	(536)
Income tax paid	**(1,366)**	(1,768)
Net cash generated from operating activities	**7,570**	10,940
Capital expenditure	**(2,007)**	(4,732)
Financing activities	**(8,446)**	(8,186)
Net increase in cash and cash equivalents	**(2,883)**	(1,978)

The Group has always placed a high priority on cash generation and the active management of working capital. Cash generated from operations was £9.5m (2018: £13.2m), representing an operating cash conversion of 106.3% (2018: 85.9%).

Paul Pearson
Chief Financial Officer
23 July 2019

THE TEAM COMMITTED TOWARD BUILDING
FUTURE SUCCESS

BOARD OF DIRECTORS

A
N
R

Adrian Barden

Non-Executive Chairman
Mr Barden has worked in the construction materials industry for over 40 years across Europe, and is currently Chairman of Quinn Building Materials in Ireland and Carpet & Flooring UK. Previously he was Chairman of the Construction Products Association and Chief Business Development Officer of Wolseley plc, as well as a board member of Sanitec Corporation, Sweden, and Volution PLC.

Mark Cutler

Chief Executive Officer
A graduate of Imperial College London, Mr Cutler is a chartered civil engineer with over 25 years' experience in the infrastructure, construction and utility sectors and has held various senior leadership roles with major UK contractors. In 2005, Mr Cutler was recruited as Managing Director of Morgan Est, before becoming CEO of Barhale. In 2014 he joined Balfour Beatty, initially to lead its UK regional businesses and more recently was Managing Director of the Balfour Beatty VINCI joint venture for High Speed 2.

Paul Pearson

Chief Financial Officer
Mr Pearson is an FCCA qualified accountant with over 30 years' experience within finance. Mr Pearson joined the Group in 2013. He is responsible for leading the financial management of the Group's activities. Mr Pearson has resigned from his role as Chief Financial Officer and Director of the Company in May 2019 and has a six month notice period.

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Robin Williams

Senior Independent Director
Mr Williams is an engineering graduate and qualified chartered accountant with over 30 years' experience in listed companies, initially as an adviser and then as a senior executive in two FTSE 250 companies including Hepworth plc, the building materials business. Mr Williams is currently Independent Non-Executive Chairman of Xaar plc, Stirling Industries PLC, Keystone Law Group PLC and FIH Group plc.

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David Hurcomb

Independent Non-Executive Director
Mr Hurcomb is the Chief Executive of NG Bailey Group Ltd and has previously enjoyed a successful career across the UK's construction sector, holding executive positions with companies including Carillion Plc, Balfour Beatty Plc and Mansell Plc.

KEY TO COMMITTEE MEMBERSHIP

- A AUDIT COMMITTEE
- N NOMINATION COMMITTEE
- R REMUNERATION COMMITTEE
- COMMITTEE CHAIRMAN

Corporate governance statement

THE GROUP IS MANAGED FOR THE LONG-TERM BENEFIT OF ALL SHAREHOLDERS AND STAKEHOLDERS

High standards of corporate governance are a key priority for the Board of Directors of Van Elle. In line with the London Stock Exchange's requirement under the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code, the Board has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework.

In my role as Independent Non-Executive Chairman of Van Elle, it is my responsibility to ensure that the Group is managed for the long-term benefit of all shareholders and stakeholders, with effective and efficient decision making. Corporate governance is an important aspect of this, reducing risk and adding value to our business.

BOARD COMPOSITION

CHAIRMAN (1)
NON-EXECUTIVE DIRECTORS (2)
EXECUTIVE DIRECTORS (2)

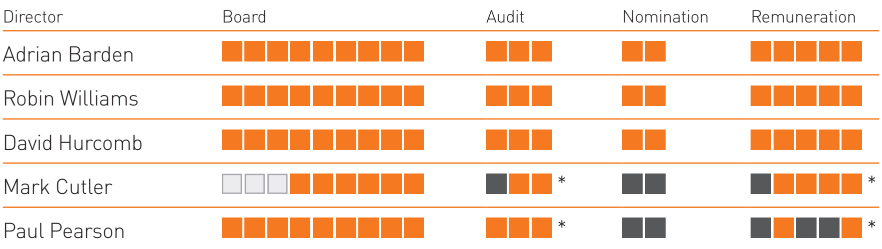
Board composition and operation

The Board comprises two Executive and three Non-Executive Directors, of whom one is Chairman. The roles of Chairman and Chief Executive are separated and clearly understood and have been agreed by the Board. The Chairman is responsible for the management of the Board and the Chief Executive is responsible for the operating performance of the Group. The Board is satisfied that it has a balanced composition, with relevant sector and public market skills and expertise, details of which can be seen in the biographies on page 37.

The Non-Executive Directors are considered independent of the Company and, other than their fees and shareholdings as set out on pages 50 and 51, have no other financial or contractual interest in the Company.

The Board controls the Group by delegating day-to-day responsibility to the Executive Management and Operational Directors.

MEETING ATTENDANCE



KEY

- ATTENDED MEETING
- ABSENT FROM MEETING
- NOT DUE TO ATTEND
- * ATTENDED BY INVITATION

That said, there are a number of matters which are reserved for decision only by the Board of Directors. These matters fall under the general headings of: strategy and management; structure and capital; internal controls; contracts; shareholder communications; Board membership; remuneration; delegations of authority; corporate governance matters; and policies. The Board met nine times during the year.

The meetings are conducted to a set agenda with a Board pack of comprehensive briefing papers circulated to all Directors prior to each scheduled Board meeting. Directors are able, if necessary, to take independent professional advice in the furtherance of their duties at the Company's expense.

The Board conducted an appraisal of its own performance during the financial year which consisted of individual assessments of the effectiveness of the Board, utilising a prescribed questionnaire, completed by all Board members. The process is detailed on page 40.

The Board intends to regularly conduct these appraisals.

Audit Committee

The Audit Committee comprises all Non-Executive Directors and is chaired by Robin Williams. The Audit Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported and reviewing reports from the Group's auditor.

The Audit Committee met on three occasions during the year with the Chair also meeting with the auditor on two occasions without a Company representative present. The operations of the Audit Committee are set out in the separate Audit Committee report on pages 41 to 43.

Nomination Committee

The Nomination Committee comprises all three Non-Executive Directors and is chaired by Adrian Barden. The purpose of the Committee is to establish a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Nomination Committee met on two occasions during the year to conclude the appointment of the new CEO. The operations of the Nomination Committee are set out in the separate Nomination Committee report on page 44.

Remuneration Committee

The Remuneration Committee comprises all Non-Executive Directors and is chaired by David Hurcomb. The Remuneration Committee is responsible for reviewing the performance of Executive Directors and determining their terms and conditions of service, including their remuneration and the grant of options. The Remuneration Committee met on five occasions during the year. The Remuneration Committee report is set out on pages 45 and 46.

Directors

Each of the Directors is subject to election by the shareholders at the first annual general meeting after their appointment. Thereafter, all Directors are subject to retirement by rotation in accordance with the Articles of Association. The service contracts of Executive Directors require six months' notice.

The Non-Executive Directors have received appointment letters setting out their terms of appointment. All Non-Executive Directors are appointed for an initial period of three years, continuing thereafter subject to not less than three months' notice.

The appointment of new Non-Executive Directors to the Board is considered by the whole Board.

Internal controls

The Board has overall responsibility for ensuring that the Group maintains a system of internal control to provide it with reasonable assurance regarding the reliability of financial information that is used within the business, and for external publication and the safeguarding of assets. There are inherent limitations in any system of internal control and accordingly even the most cost-effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group's organisation structure has clear lines of responsibility with operational and financial responsibility for operating segments delegated to operational directors.

The Group's risk management programme, which assesses key risks and the required internal controls that are delegated to Directors and managers within the Group, is reviewed regularly to ensure that it continues to meet the Board's requirements.

> "THE BOARD IS COMMITTED TO ACHIEVING HIGH STANDARDS OF CORPORATE GOVERNANCE, INTEGRITY AND BUSINESS ETHICS FOR ALL OF THE ACTIVITIES OF THE GROUP."

Corporate governance statement continued

Shareholder relationships

Our CEO and CFO are the key contacts for shareholders on any matters relating to the Company, its governance and investor relations. Additionally, the Chairman and Non-Executive Directors make themselves available to meet with shareholders as necessary.

The AGM allows the Board to communicate with all investors, institutional or private, and provides shareholders the opportunity to ask questions and raise issues, as well as formally vote on resolutions circulated to shareholders in the Notice of AGM prior to the AGM. Copies of the Notice are also published on the Investor pages of our website.

The results of voting on resolutions are announced as soon as practicable, on the same day of the AGM and, for any resolutions not passed, the Board seeks to engage with the dissenting shareholders to understand why, and determine what can be done, to work to ensure future approval. In the two AGMs since the Company's admission to AIM in October 2016 all ordinary resolutions have been passed, but in both years the special resolutions disapplying pre-emption rights (relevant in respect of the Group's ability to issue new shares in certain circumstances) and the resolution in relation to the Company's ability to buy back a proportion of its shares have been voted against.

The Board has an ongoing programme of scheduled meetings with institutional and significant private shareholders, as well as analysts, following our full and half year results announcements. These meetings provide the CEO and CFO the opportunity to update shareholders on the Group's performance and the direction of future strategy.

Going concern basis

The Group's business activities, together with the key factors likely to affect its future development, performance and position, are set out in the Group financial review. The financial position of the Group and its cash flows, liquidity position and borrowing facilities are also described in the Group financial review. In addition, note 20 of the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital, financial risk and management objectives. This also details financial instruments and exposure to price, interest rate, credit and liquidity risk. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements.

Based on this, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Forward-looking statements

The annual report and accounts includes certain statements that are forward-looking statements. These statements appear in several places throughout the strategic report and include statements regarding the Group's intentions, beliefs or current expectations and those of its officers, Directors and employees concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated.

Approval

The Board approved the corporate governance report on 16 July 2019.

By order of the Board

Paul Pearson
Company Secretary
23 July 2019

BOARD EVALUATION PROCESS

During the year an internal evaluation was conducted:

01 DECEMBER 2018–JANUARY 2019

The Chairman prepared and circulated the evaluation questionnaire

02 FEBRUARY 2019

Questionnaire returned by Board members

03 MARCH 2019–APRIL 2019

Consolidated questionnaire results reviewed by the Senior Independent Director, and the conclusions tabled to the Board

04 MAY 2019

Board actions to improve Board effectiveness agreed, based on the key conclusions of the evaluation process

Audit Committee report

Dear Shareholder,

I am pleased to present the report on the activities of the Audit Committee for the year, and to be able to confirm on behalf of the Board that the annual report and accounts taken as a whole is fair, balanced and understandable.

MEMBERS AND ATTENDANCE

Director	Attendance
Robin Williams (Chair)*	■ ■ ■
Adrian Barden*	■ ■ ■
David Hurcomb*	■ ■ ■
Mark Cutler**	■ ■ ■
Paul Pearson**	■ ■ ■

KEY

- ATTENDED MEETING
- ABSENT FROM MEETING
- NOT DUE TO ATTEND
- * COMMITTEE MEMBER
- ** ATTENDED BY INVITATION

Activities during the year

The following matters were considered at the Committee meetings held during the year:

Financial statements and reports:

- reviewed the preliminary results announcements, annual report and accounts, interim results announcement and trading update and received reports from the external auditor;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and accounts;
- reviewed management representation letters, going concern reviews and significant areas of accounting estimates and judgements (including exceptional items, intangible assets and share-based payments); and
- reported to the Board on the appropriateness of accounting policies and practices and ensured that the change in useful life of plant and machinery was properly presented.

Risk management:

- considered the Group risk register, which identified, evaluated and set out mitigation of risks, and reviewed the principal risks and uncertainties disclosed in the annual report and accounts.

External audit and non-audit work:

- reviewed the relationship with the external auditor including its independence, objectivity and effectiveness and, based on that review, recommended to the Board its reappointment at the forthcoming Annual General Meeting;
- reviewed, considered and agreed the scope and methodology of the audit work to be undertaken by the external auditor;
- agreed the terms of engagement and fees to be paid to the external auditor; and
- reviewed and approved the Group policy on non-audit services and reviewed any non-audit fees.

Compliance:

- met with the external auditor without executive management being present; and
- reviewed the Committee terms of reference and confirmed its intention to evaluate its performance.

Roles and responsibilities

The primary function of the Committee is to assist the Board in fulfilling its responsibilities regarding the integrity of financial reporting, audit, risk management and internal controls. This comprises:

- monitoring and reviewing the Group's accounting policies, practices and significant accounting judgements; and
- reviewing the annual and interim financial statements and any public financial announcements and advising the Board on whether the annual report and accounts is fair, balanced and understandable.

In relation to the external audit:

- approving the appointment and recommending the reappointment of the external auditor and its terms of engagement and fees;
- considering the scope of work to be undertaken by the external auditor and reviewing the results of that work;
- reviewing and monitoring the independence of the external auditor and approving its provision of non-audit services;
- monitoring and reviewing the effectiveness of the external auditor;
- overseeing the Group's procedures for its employees to raise concerns through its whistleblowing policy;
- monitoring and reviewing the adequacy and effectiveness of the risk management systems and processes; and
- assessing and advising the Board on the internal financial, operational and compliance controls.

Audit Committee report continued

Membership and attendance

The Code recommends that all members of an audit committee be non-executive directors, independent in character and judgement and free from any relationship or circumstances which may, could or would be likely to, or appear to, affect their judgement and that one such member has recent and relevant financial experience.

Accordingly, the Committee comprises all three Non-Executive Directors, with the Chairman having recent and relevant financial and accounting experience. Regular Audit Committee meetings are also normally attended by the Chief Executive Officer, the Chief Financial Officer, the external auditor and the Company Secretary, who acts as Secretary to the Committee. Other members of management are invited to attend depending on the matters under discussion. The Committee meets regularly with the external auditor with no members of management present. The Committee has met three times during the year with all Non-Executive members having been present.

External audit

The Audit Committee also approves the appointment and remuneration of the Group's external auditor and satisfies itself that it maintains its independence regardless of any non-audit work performed by it. The Group adopts the following policy governing the performance of non-audit work by the auditor. The auditor is permitted to provide non-audit services which are not, and are not perceived to be, in conflict with auditor independence, providing it has the skill, competence and integrity to carry out the work and it is the most appropriate adviser to undertake such work in the best interests of the Group. All assignments are monitored by the Committee. Details of services provided by, and fees payable to, the auditor are shown in note 8 of the consolidated financial statements.

Whilst the Audit Committee has not adopted a formal policy in respect of rotation of the external auditor, one of its principal duties is to make recommendations to the Board in relation to the appointment of the external auditor. Various factors are considered by the Committee in this respect including the quality of the reports provided to the Committee, the level of service provided and the level of understanding of the Group's business.

BDO LLP has been the Company's external auditor for seven years. The Audit Committee considers that the relationship with the auditor is working well and remains satisfied with its effectiveness and independence. Accordingly, it has not considered it necessary to date to require the firm to re-tender for the audit work. The auditor is required to rotate the audit partner responsible for the Group and subsidiary audits every five years. The current audit partner is in his third year of his term as audit partner.

Internal audit

The Group does not have a formal internal audit function but has performed targeted reviews and visits to operations by the head office team. The results of these reviews are communicated back to the Audit Committee. This approach is considered appropriate and proportionate given the size of the business and the extensive work performed by the external auditor; however, the need to establish a separate independent internal audit function is kept under constant review.

Internal controls and risk management

The Board is responsible for the effectiveness of the Group's system of internal control, which has been designed and implemented to meet the requirements of the Group and the risks to which it is exposed.

The Group has a robust risk management process that follows a sequence of risk identification, assessment of probability and impact, and assigns an owner to manage mitigation activities. Throughout the year, the Group risk register and the methodology applied was the subject of review by senior management and updated to reflect new and developing areas which might impact business strategy. The Committee reviews the Group risk register each year to assess the actions being taken by senior management to monitor and mitigate the risks. The Group's principal risks and uncertainties are described on pages 20 to 23.

The following key elements comprise the internal control environment which has been designed to identify, evaluate and manage, rather than eliminate, the risks faced by the Group in seeking to achieve its business objectives and ensure accurate and timely reporting of financial data for the Company and the Group:

- an appropriate organisational structure with clear lines of responsibility;
- an experienced and qualified finance function, which regularly assesses the risks facing the Group;
- a comprehensive annual strategic and business planning process;
- systems of control procedures and delegated authorities, which operate within defined guidelines, and approval limits for capital and operating expenditure and other key business transactions and decisions;
- a robust financial control, budgeting and rolling forecast system, which includes regular monitoring, variance analysis and key performance indicator reviews;
- procedures by which the consolidated financial statements are prepared, which are monitored and maintained using internal control frameworks addressing key financial reporting risks arising from changes in the business or accounting standards; and
- established policies and procedures setting out expected standards of integrity and ethical standards which reinforce the need for all employees to adhere to all legal and regulatory requirements.

Going concern

Financial projections covering a period 12 months from the signing of the accounts to July 2020 are prepared to support the review of going concern. Sensitivities are calculated to ensure that headroom exists in financial resources.

Significant accounting matters

The Audit Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements. The Committee also reviews reports by the external auditor on the interim and full year results which highlight any issues arising from the work undertaken. The specific areas of audit and accounting risk reviewed by the Committee were:

- **Revenue recognition** – The revenue recognised in the accounts now follows IFRS 15 which is detailed in the notes to the accounts on pages 63 to 67. The Committee has reviewed the estimates and judgements applied by management and is satisfied with management's conclusions.
- **The carrying value of trade receivables and contract assets** – The Group holds material trade receivable balances and contract asset balances, and the calculations of provisions for impairment are estimates of future events and therefore uncertain. The Committee has reviewed the current year provisions (including the application of IFRS 9) against trade receivables and contract asset balances, and is satisfied with management's conclusions that the provisioning levels are appropriate.
- **Exceptional items** – The Committee has considered the presentation of the Group financial statements, and the presentation of exceptional items and the items included within such categories. The Committee has discussed these items with management and agreed that the presentation is consistent with the Group's accounting policy and provides more meaningful information to shareholders about the underlying performance of the Group.

I look forward to meeting with shareholders at the Annual General Meeting in September to answer any questions on the work of the Committee.

Robin Williams
Chairman of the Audit Committee
23 July 2019

Nomination Committee report

Dear Shareholder,

As Chairman of the Nomination Committee, I present our report detailing the role and responsibilities of the Committee and its activities during the year.

MEMBERS AND ATTENDANCE

Director	Attendance
Adrian Barden (Chair)	■■ (attended, attended)
Mark Cutler	■■ (absent, absent)
Paul Pearson	■■ (absent, absent)
Robin Williams	■■ (attended, attended)
David Hurcomb	■■ (attended, attended)

KEY

- ATTENDED MEETING
- ABSENT FROM MEETING
- NOT DUE TO ATTEND

Activities during the year

The following matters were considered at the Committee meetings held during the year:

- evaluated the balance of skills, experience, independence, diversity and knowledge on the Board;
- completed a process to appoint Mark Cutler as CEO;
- reviewed succession planning for the Executive Directors and the senior management team;
- reviewed and approved the recommendations to be made to shareholders for the election of Directors at the Annual General Meeting; and
- reviewed the Committee's report in the annual report and accounts and recommended approval to the Board.

Roles and responsibilities

The key responsibilities of the Committee are:

- assessing whether the size, structure and composition of the Board (including its skills, knowledge, experience, independence and diversity, including gender diversity) continue to meet the Group's business and strategic needs;
- examining succession planning for Directors and other senior executives and for the key roles of Chairman of the Board and Chief Executive Officer; and
- identifying and nominating, for approval by the Board, candidates to fill Board vacancies as and when they arise, together with leading the process for such appointments.

Membership and attendance

The Code recommends that the members of a nomination committee should be independent non-executive directors. As the Committee comprises Robin Williams, David Hurcomb and me, the Company complies with this Code recommendation. By invitation, the meetings of the Committee may be attended by the Chief Executive Officer and the Chief Financial Officer. The Chairman of the Board normally chairs the Committee except where it is dealing with his own reappointment or replacement. The Company Secretary acts as the Secretary to the Committee.

The Committee met twice during the year.

Election of Directors

On the recommendation of the Committee and in line with the Company's Articles of Association, all four Directors will stand for re-election at the Annual General Meeting. The biographical details of the Directors can be found on page 37. The Committee considers that the performance of each of the Directors standing for election at the Annual General Meeting continues to be effective and each demonstrates commitment to their role.

Board changes

On 1 November 2017, David Hurcomb was appointed as an Independent Non-Executive Director to the Board, taking on the role of Remuneration Committee Chair.

Also, on 22 November 2017, Jon Fenton, Chief Executive Officer, announced that he would be stepping down from his role, which he left on 18 May 2018. The Nomination Committee conducted a comprehensive and objective search process to replace Jon and Mark Cutler has been appointed and will join the Board mid-August 2018.

I look forward to meeting with shareholders at the Annual General Meeting in September to answer any questions on the work of the Committee.

Adrian Barden
Chairman of the Nomination Committee
23 July 2019

Remuneration Committee report

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Committee report for the year ended 30 April 2018.

MEMBERS AND ATTENDANCE

Director	Attendance
David Hurcomb (Chair)	■■■■■
Adrian Barden	■■■■■
Mark Cutler	□■■■■
Paul Pearson	□■□□■
Robin Williams	■■■■■

KEY

■ ATTENDED MEETING
■ ABSENT FROM MEETING
□ NOT DUE TO ATTEND

Activities during the year

Matters considered and decisions reached by the Committee during the year included:

- reviewed and approved the remuneration policy for 2018/19;
- reviewed and approved the parameters of the Annual Bonus Plan, including performance measures and targets for 2018/19 for the Executive Directors and senior management team;
- considered and approved the LTIP awards to the Executive Directors and senior management;
- reviewed and approved the bonus and grant of options arrangements for the new CEO;
- reviewed and approved Executive Director and senior management team salaries for 2019/20;
- reviewed and approved the parameters of the Annual Bonus Plan, including performance measures for 2019/20 for the Executive Directors and senior management team; and
- reviewed the Committee's terms of reference.

Roles and responsibilities

The role of the Committee is to recommend to the Board a strategy and framework for remuneration for Executive Directors and the senior management team to attract and retain leaders who are focused and incentivised to deliver the Company's strategic business priorities, within a remuneration framework which is aligned with the interests of our shareholders and thus designed to promote the long-term success of the Company.

The Committee's main responsibilities are:

- establishing and maintaining formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors, and monitoring and reporting on them;
- determining the remuneration, including pension arrangements, of the Executive Directors;
- monitoring and making recommendations in respect of remuneration for the tier of senior management one level below that of the Board;
- approving annual long-term incentive arrangements together with their targets and levels of awards;
- determining the level of fees for the Chairman of the Board; and
- selecting and appointing the external advisers to the Committee.

Remuneration Committee report continued

Membership and attendance

The Committee comprises the three independent Non-Executive Directors. By invitation, the meetings of the Committee may be attended by the Chief Executive Officer and the Chief Financial Officer. David Hurcomb chairs the Committee except where it is dealing with his own remuneration. The Company Secretary acts as the Secretary to the Committee.

The Committee met twice during the year. The Committee plans to meet formally at least twice a year and at such other times as the Board or the Committee Chairman requires.

Performance and outcomes 2018/19

This has been a challenging year for Van Elle Holdings plc, as detailed in this report.

For 2018/19, the performance achieved against financial and operational targets resulted in no annual bonus being paid to the Executive Directors.

There were no LTIP or CSOP awards vested during the year.

Remuneration decisions for 2019/20

The Committee has recently undertaken a review of the remuneration arrangements for our Executive Directors. We believe that the framework remains broadly fit for purpose and so we are not proposing any significant changes.

Following the review, it was determined that the annual bonus maximum levels and the performance measures continue to be appropriate. The Committee will continue its policy of setting stretching annual bonus targets which take into account several internal and external factors and disclose performance against targets and associated payouts unless the Committee considers them to be commercially sensitive.

Remuneration report

As an AIM-listed entity, the Company is not required to fully apply the Listing Rules of the Financial Conduct Authority or the BIS Directors' Remuneration Reporting Regulations and hence is not required to present a board report on remuneration in accordance with those rules. Nevertheless, the Board considers it appropriate for the Company to provide shareholders with information in respect of executive remuneration that follows the "spirit" of the Regulations and will include some details of the Directors' remuneration policy and the annual report on remuneration, which together form the Directors' remuneration report.

I look forward to meeting with shareholders at the Annual General Meeting in September to answer any questions on the work of the Committee.

David Hurcomb
Chairman of the Remuneration Committee
23 July 2019

"THE COMMITTEE WILL CONTINUE ITS POLICY OF SETTING STRETCHING ANNUAL BONUS TARGETS."

Directors' remuneration policy

Introduction

The Committee considers the remuneration policy annually to ensure that it remains aligned with the business' needs and is appropriately positioned relative to the market. We use target performance to estimate the total potential reward and benchmark it against reward packages paid within the sector.

Principles adopted

The principles adopted, taken from the Association of British Insurers ("ABI"), are as follows:

- remuneration structures should be appropriate to the specific business, efficient and cost effective in delivery;
- complexity is discouraged in favour of simple and understandable remuneration structures;
- remuneration structures should seek to align Executive and shareholder interests including through a meaningful level of personal shareholding;
- remuneration structures should promote long-term focus through features such as deferral and measuring performance over the long term;
- structures should include performance adjustments (malus) and/or clawback provisions;
- pay should be aligned to long-term sustainable success and the desired corporate culture throughout the organisation; and
- the Remuneration Committee ensures that rewards properly reflect business performance.

Balancing short and long-term remuneration

Based on our view of current market practice, and the principles of our remuneration policy, we have established the remuneration policy set out in this report. Fixed annual elements, including salary, pension and benefits, are to recognise the status of our executives and to ensure current and future market competitiveness. The short and long-term incentives are to motivate and reward them for making Van Elle Holdings plc successful on a sustainable basis.

The shareholding linkage cements the relationship between the Executive Directors' personal returns and those of Company investors. Long-term incentives, in the form of conditional share awards, are granted annually and Executive Directors are expected to retain vested shares (after they have paid income tax and National Insurance contributions in respect of the awards) until they have met their shareholding requirement.

The Committee reserves discretion to flex the weighting of annual bonus KPIs from year to year to ensure that the Executive Directors are incentivised to drive performance through the Company's core strategic objectives.

Performance measures and targets

The Committee selected the performance conditions because these are central to the Company's overall strategy and are key metrics used by the Executive Directors to oversee the operation of the business. The performance targets are determined annually by the Committee following consultation with the Audit Committee and are typically set at a level that is above the level of the Company's forecasts.

The Committee believes the performance targets for the annual bonus are commercially sensitive in respect of the Company and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. The targets will be disclosed after the end of the relevant financial year in that year's remuneration report.

Differences in remuneration policy for all employees

All employees of the Company are entitled to base salary, benefits, a pension and an annual bonus. The maximum opportunity available is based on the seniority and responsibility of the role.

The Committee has regard to pay structures across the wider Group when setting the remuneration policy for Executive Directors. The Committee considers the general basic salary increase for the broader workforce when determining the annual salary review for the Executive Directors.

Overall, the remuneration policy for the Executive Directors is more heavily weighted towards performance-related pay than for other employees. The level of performance-related pay varies within the Group by grade of employee and is calculated by reference to the specific responsibilities of each role as appropriate.

Statement of consideration of employment conditions elsewhere in the Group

The Committee invites the Chief Executive Officer to present at its meeting in March on the proposals for salary increases for the employee population generally and on any other changes to remuneration policy within the Company. The Committee limits any salary increase for the Executive Directors to the inflationary increase available to employees unless there has been a change in role or alignment to market levels.

The Chief Executive consults with the Committee on the KPIs for Executive Directors' bonuses and the extent to which these should be cascaded to other employees. The Committee approves the overall annual bonus cost to the Company each year. The Committee has oversight over the grant of all LTIP and CSOP awards across the Company.

Directors' remuneration policy continued

Future policy table

The individual elements of the future remuneration policy are summarised below:

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
BASE SALARY			
To recognise status and responsibility to deliver strategy	Base salary is paid in 12 equal monthly instalments during the year. Salaries are reviewed annually and any changes are effective from 1 June in the financial year.	Increases only for inflation and in line with other employees unless there is a change in role or responsibility or alignment required to market levels.	None.
BENEFITS			
To provide benefits consistent with the role	The Company pays the cost of providing the benefits monthly or as required for one-off events such as receiving financial advice.	Cost of independent financial advice, car allowance and medical insurance and other benefits from time to time.	None.
ANNUAL BONUS			
To ensure a market-competitive package and link total cash reward to achievement of Company business objectives	Annual bonuses are paid three months after the end of the financial year end to which they relate. A clawback facility will apply under which part or all of the cash and deferred bonus can be recovered if there is a restatement of the financial accounts or the individual is terminated for misconduct.	Maximum bonus potential: 100% of salary for the CEO and 80% for the CFO. 60% of salary for other Executive Directors. There is no minimum payment at threshold performance.	Reported operating profit. Performance is measured over the financial year. The Committee has discretion to vary the weighting of these metrics over the life of this remuneration policy.
PENSION			
To provide funding for retirement	Defined contribution scheme. Monthly contributions.	5–10% of salary.	None.
LONG TERM INCENTIVE PLAN ("LTIP")			
To augment shareholder alignment by providing Executive Directors with longer-term interests in shares	Annual grants of conditional share awards based on the achievement of profit targets. A clawback facility is in operation under which parts or the whole of the LTIP award can be recovered if there is a restatement of the financial statements or the individual is dismissed for cause.	Maximum grant permitted is 100% of salary. Grant size is determined by reference to achievement of profit targets (50% based on TSR and 50% based on EPS). Vesting is dependent on service and performance conditions. 25% vests at threshold performance.	Service and performance conditions must be met over a three year period. 25% vesting if TSR ranked at median within comparator group. 100% vesting if TSR ranked in upper quartile. 25% vesting if EPS exceeds RPI CAGR plus 8%. 100% vesting if EPS exceeds RPI CAGR plus 15%. The Committee has discretion to vary the weighting of performance metrics over the life of this remuneration policy.

Approach to recruitment remuneration

The Committee will aim to set a new Executive Directors' remuneration package in line with the remuneration policy approved by shareholders.

In arriving at a total package and in considering value for each element of the package, the Committee will consider the skills and experience of a candidate and the market value for a candidate of that experience, as well as the importance of securing the preferred candidate.

Where it is necessary to "buy out" an individual's awards from a previous employer, the Committee will seek to match the expected value of the awards by granting awards that vest over a timeframe like those given up, with a commensurate reduction in quantum where the new awards will be subject to performance conditions that are not as stretching as those on the awards given up.

Policy on Directors leaving the Group

The Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations not being in contradiction with the remuneration policy set out in this report.

If an Executive Director's employment is terminated, in the absence of a breach of service agreement by the Director, the Company may, although it is not obliged to, terminate the Director's employment immediately by payment of an amount equal to base salary and the specified benefits (including pension scheme contributions) in lieu of the whole or the remaining part of the notice period. Payments in lieu of notice may be paid in monthly instalments over the length of the notice period. The Executive Directors are obliged to seek alternative income during the notice period and to notify the Company of any income so received. The Company would then reduce the monthly instalments to reflect such alternative income.

Discretionary bonus payments will not form part of any payments made in lieu of notice. An annual bonus may be payable, at the Committee's discretion, with respect to the period of the financial year served, although it would be paid in cash and normally pro-rated for time and paid at the normal payment date.

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on relevant plan rules.

The default treatment under the LTIP is that any outstanding awards lapse when the individual leaves the Group. However, in certain prescribed circumstances, such as death, ill health, injury or disability, transfer of the employing entity outside of the Group or in other circumstances at the discretion of the Committee (except where the Director is summarily dismissed), "good leaver" status may be applied.

For good leavers, awards will normally vest to the extent that the Committee determines, taking into account the satisfaction of the relevant performance conditions and, unless the Committee determines otherwise, the period that has elapsed between the grant and the date of leaving. Awards will normally vest at the original vesting date, unless the Committee decides that awards should vest at the time of leaving.

Service agreements and letters of appointment

Each of the Executive Directors' service agreements is for a rolling term and may be terminated by the Company or the Executive Director by giving not less than six months' prior written notice.

The Chairman and each of the Non-Executive Directors of the Company do not have service contracts. Each of these Directors has a letter of appointment which has an initial three year term which is renewable and is terminable by the Company or the individual on three months' written notice.

Non-Executive Directors are not eligible to participate in cash or share incentive arrangements and their service does not qualify them for a pension or other benefits. No element of their fee is performance related.

Director	Date of service contract/ letter of appointment
Executive Directors	
Mark Cutler	13 August 2018
Paul Pearson	21 September 2016
Non-Executive Directors	
Adrian Barden	25 July 2016
Robin Williams	15 July 2016
David Hurcomb	1 November 2017

Non-Executive Directors' fees policy

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
To attract Non-Executive Directors who have a broad range of experience and skills to oversee the implementation of our strategy	Non-Executive Directors' fees are set by the Board. The Chairman's fees are set by the Committee. Annual fees are paid in 12 equal monthly instalments during the year. Fees are regularly reviewed against those for Non-Executive Directors in companies of similar scale and complexity. Non-Executive Directors are not eligible to receive benefits and do not participate in incentive or pension plans.	Current fee levels are shown in the annual report.	Non-Executive Directors are not eligible to participate in any performance-related arrangements.

Consideration of shareholder views

We take an active interest in shareholder views on our executive remuneration policy. The Committee is also committed to maintaining an ongoing dialogue with major shareholders and shareholder representative bodies whenever material changes are under consideration.

Annual report on remuneration

Single total figure of remuneration (audited)

The audited table below sets out the total remuneration for the Directors in the year ended 30 April 2019 with comparative figures for the year ended 30 April 2018.

	Salary/fees £'000	Benefits £'000	Bonus £'000	LTIP £'000	Pension £'000	**2019 Total £'000**	2018 Total £'000
Executive Directors							
Jon Fenton (resigned 18 May 2018)	26	1	—	—	1	**28**	298*
Mark Cutler (appointed 13 August 2018)	206	10	—	—	17	**233**	—
Paul Pearson	150	12	—	—	8	**170**	162**
Non-Executive Directors							
Adrian Barden	85	—	—	—	—	**85**	97***
Robin Williams	50	—	—	—	—	**50**	50
David Hurcomb	45	—	—	—	—	**45**	23†
Aggregate emoluments	562	23	—	—	26	**611**	630

* 2018 was for a full year.
** Pay award applied part way through 2018.
*** 2018 included one-off fee payment.
† 2018 was not a full year.

Benefits comprise the provision of independent financial advice, car allowance and private medical insurance, valued at the taxable value.

The LTIP relates to the value of long-term awards whose performance period ends in the year under review. The first long-term incentive awards granted post-listing have a performance period that ends on 26 October 2019. As a result, this column has a zero figure.

Annual Bonus Plan (audited)

Bonuses are earned by reference to the financial year and paid in June following the end of the financial year. There is no bonus accruing to the Executive Directors in respect of the year ended 30 April 2019.

Aggregate Directors' emoluments

	2019 £'000	2018 £'000
Salaries	**562**	579
Taxable benefits	**23**	31
Bonus	**—**	—
Pension allowances	**26**	20
Subtotal	**611**	630
Employer's NI	**75**	78
Total	**686**	708

Payments for loss of office (audited)

There were no payments for loss of office in the year.

Payments to past Directors (audited)

There were no payments to past Directors in the year.

Share awards granted during the year (audited)

Conditional share awards were granted on 26 October 2016, the date that the Company was admitted to AIM, to all Executive Directors and other senior executives. In accordance with the scheme rules, the maximum award (calculated at the date of the grant) cannot exceed 100% of base salary at the date of grant of the proposed award.

During the year, Mark Cutler was granted a conditional share award on 13 August 2018.

The awards to Executive Directors are shown below:

Directors	Scheme	Basis of award	Face value £'000	% vesting at threshold	Number of shares	Vesting date
Mark Cutler	LTIP	100% of	285	25	331,395	13/08/21
Paul Pearson	LTIP	salary	125	25	125,000	26/10/19

The face value of the awards is calculated using the share price at the date of grant: 26 October 2016, at £1.00 per share, and 13 August 2018, at £0.86 per share.

The performance conditions in respect of the awards granted in the year are shown below:

Performance measure	Weighting	Target 25% vesting	Maximum 100% vesting
Total shareholder return ranking*	50%	Median, ranked 8th or higher	Upper quartile, ranked 4th or higher
Compound annual growth in earnings per share	50%	8% over RPI	15% over RPI

* Measured against a comparator group of 14 companies (i.e. 15 including Van Elle Holdings plc). 2018 LTIP only compares to 13 comparators as Carillion was removed.

Statement of Directors' shareholding and share interests (audited)

We believe that Executive Directors should have shareholdings in the Company to ensure that they are as closely aligned as possible with shareholder interests. Those Directors serving at the end of the year and their immediate families had interests in the share capital of the Company at 30 April 2019 as follows:

	Ordinary shares held at 30 April 2019 Number	Options held at 30 April 2019 Number
Executive Directors		
Mark Cutler	**50,000**	**331,395**
Paul Pearson	**—**	**125,000**
Non-Executive Directors		
Adrian Barden	**147,920**	**—**
Robin Williams	**10,000**	**—**
David Hurcomb	**25,000**	**—**

Statement of implementation of remuneration policy – year to 30 April 2019

The new CEO's basic salary and benefits package has been agreed and approved by the Committee.

It is expected that the next award under the LTIP scheme will be announced shortly after the publication of the Company's annual results. Awards are limited to 100% of basic salary.

The fees for the Non-Executive Directors, Adrian Barden, Robin Williams and David Hurcomb, are £85,000, £50,000 and £45,000 respectively.

Approval

The Directors' remuneration policy and the annual report on remuneration, together comprising the Directors' remuneration report, were approved by the Board of Directors on 24 July 2019 and signed on its behalf by the Remuneration Committee Chairman.

David Hurcomb
Chairman of the Remuneration Committee
23 July 2019

Directors' report

Introduction

The Directors present their annual report and the Group audited financial statements for the year ended 30 April 2019. The strategic report on pages 1 to 36, the corporate governance report on pages 37 to 56 and certain notes to the financial statements are also incorporated into this report by reference.

Business review and future developments

A review of the performance of the Group during the year, including principal risks and uncertainties, key performance indicators and comments on future developments, is given in the strategic report on pages 1 to 36.

Results and dividend

The Group's result for the year is shown in the consolidated statement of comprehensive income on page 57.

An interim dividend of 1.0p per share was paid to shareholders on 6 March 2019 and the Directors are recommending a final dividend in respect of the financial year ended 30 April 2019 of 1.0p per share. If approved, the final dividend will be paid on 27 September 2019 to shareholders on the register on 6 September 2019. The total dividend paid and proposed for the year amounts to 2.0p per share.

Financial risk management

Information relating to the principal risks and uncertainties of the Group has been included within the strategic report. Further information relating to the financial risks of the Group has been included within note 20 of the consolidated financial statements.

Directors

The Directors of the Company who held office during the year are:

- A Barden
- M Cutler (appointed 13 August 2018)
- J Fenton (resigned 18 May 2018)
- P Pearson
- R Williams
- D Hurcomb (appointed 1 November 2017)

The biographies of the Directors in office at the end of the year are detailed on page 37. Their interests in the ordinary shares of the Company are shown in the Directors' remuneration report on page 50. In addition to the interests in ordinary shares, the Group operates a performance share plan ("LTIP") for senior executives, under which certain Directors have been granted conditional share awards. Details of the share options granted are detailed in the Directors' remuneration report on page 51.

Directors may be appointed by ordinary resolution of the Company or by the Board. In addition to any powers of removal conferred by the Companies Act 2006, the Company may by special resolution remove any Director before the expiration of their period of office.

Directors' indemnities

The Articles of Association of the Company permit it to indemnify the Directors of the Company against liabilities arising from the execution of their duties or powers to the extent permitted by law.

The Company has directors' and officers' indemnity insurance in place in respect of each of the Directors. The Company has entered into a qualifying third party indemnity (the terms of which are in accordance with the Companies Act 2006) with each of the Directors. Neither the indemnity nor insurance provide cover if a Director or officer is proved to have acted fraudulently.

Employees

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be considered when making decisions that are likely to affect their interest. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in its performance.

The Group recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any employee who becomes disabled, having regard to their aptitudes and abilities. Where practicable, disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Further details regarding employees are detailed in the corporate social responsibility statement on pages 24 to 27.

Share capital

The Company has only one class of equity share, namely 2p ordinary shares. The shares have equal voting rights and there are no special rights or restrictions attaching to any of them or their transfer to other persons.

As at 30 April 2019 the issued share capital of the Company was 80,000,000 ordinary shares of 2p each. Details of the share capital as at 30 April 2019 are shown in note 23 of the consolidated financial statements.

The market price of the Company's shares at the end of the financial year was £0.565 and the range of market prices during the year was between £0.42 and £0.975.

Substantial shareholdings

As at the date of this report, the Company had been notified of the following interests representing 3% or more of the voting rights in the issued share capital of the Company.

Name of holder	Total holding of shares	% of total voting rights
Ruffer LLP	14,876,518	18.60
Otus Capital Mgt	9,293,996	11.62
Close Asset Mgt	6,430,903	8.04
SG Securities	6,331,120	7.91
Miton Asset Mgt	4,709,614	5.89
Mr Michael Mason	4,186,961	5.23
Mrs Joan Ellis	4,061,764	5.08
Mr Michael Ellis	3,973,467	4.97

Corporate governance

The Group's statement on corporate governance is incorporated by reference and forms part of this Directors' report.

Going concern

The statement regarding going concern forms part of the corporate governance report and is set out on page 40.

Annual General Meeting

The Annual General Meeting will be held at 10 a.m. on 12 September 2019 at One Wood Street, London EC2V 7WS. The notice of Annual General Meeting, with explanatory notes, accompanies these financial statements.

Disclosure of information to the auditor

Each Director confirms that, so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware, and that each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information, and to establish that the Group's auditor is aware of that information.

Independent auditor

BDO LLP has expressed its willingness to continue in office and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

Paul Pearson
Company Secretary
23 July 2019

Registered office: Summit Close, Kirkby-in-Ashfield, Nottinghamshire NG17 8GJ.

Company number: 04720018

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the annual report and the financial statements are made available on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Approved by the Board of Directors and signed on its behalf by:

Paul Pearson
Company Secretary
23 July 2019

Independent auditor's report

To the members of Van Elle Holdings plc

Opinion

We have audited the financial statements of Van Elle Holdings plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 April 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the parent company statement of financial position, the parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

How our audit addressed the key audit matters:

Key audit matter	How We Addressed the Key Audit Matter in the Audit
Recognition of revenue and attributable profit (or losses) on contracts: Refer to page 43 Significant Accounting Matters of the Audit Committee Report and notes 3, 4 and 6 to the financial statements for the Directors' disclosures of the related accounting policies, critical judgements and estimates. During the year ended 30 April 2019 the Group adopted IFRS 15 Revenue from Contracts with Customers for the first time and this introduced the concept of highly probable in assessing outcomes and performance obligations. The interpretation and application of this new standard involved a significant level of management judgement which gives rise to a significant risk of material misstatement. The adoption of the standard also required revenue relating to mobilisation to be split and deferred and recognised over the life of the relevant performance obligation. Revenue is recognised on the stage of completion of individual contracts as measured at the year end date. Attributable profit (or loss) is calculated after deducting the costs incurred to date. If the contract is expected to be loss making based on forecast costs and contract revenues, forecast losses are recognised immediately as an expense. The extent of revenue and profit (or loss) to recognise on a particular partially completed contract represents an area of significant judgement within the financial statements, which involves an assessment of both current and future contract performance. The potential outcomes for contracts can have an individual or collectively material impact on the financial statements, whether through error or management bias.	We obtained a breakdown of contracts making up revenue in the year. From the breakdown we selected contracts from each operating segment for testing based on criteria that we considered increased the risk of material misstatement in the revenue recognised on the contract. This included contracts that were significant to a particular operating segment, contracts that had unusually high or low margins and disputed contracts. For each contract selected we obtained a copy of the contract documentation and via the audit testing listed below, critically assessed and challenged the recognition of revenue from a review of the performance obligations as follows: • We reconciled the revenue recognised in the year to the contracts. • We assessed the position adopted by management at the year end as compared to quantity surveyor applications or external evidence being customers' certification of work done. • We met with contract managers and enquired on current progress on open contracts and final account negotiations on completed contracts substantiating explanations to supporting correspondence. We also audited the judgements surrounding the implementation of IFRS 15 including the following: • Reviewed management's impact assessment of IFRS 15 in light of our knowledge of the business and review of contracts in previous years' audit work and checked that the Group policies have been appropriately updated to comply with the standard. • Recalculated IFRS 15 adjustments in relation to mobilisation revenue for a sample of contracts at both 30 April 2019 and 30 April 2018 to check that revenue was recognised appropriately and the transition adjustment was not significant.
Valuation of contract assets Refer to page 43 Significant Accounting Matters of the Audit Committee Report and notes 3, 4, 17 and 18 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates. This area was considered to be a significant risk as contract assets involve significant management judgement and estimates in assessing the recoverability of outstanding balances on contracts if amounts have not been certified by customers.	We tested all individual material contract balances and a sample of other balances. For each balance subject to testing that had not been tested as part of our work on revenue recognition described above we reviewed post year end correspondence and substantiated to customer certificate and invoice and post year end payment where relevant. Where contract assets had not been supported by external certifications we reviewed all other correspondence including support from applications for payment and final account settlements and challenged management's judgement in respect of the recoverability of the amounts recoverable on contracts with reference to our own assessments.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and forming our opinions.

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements is material. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £200,000 (2018: £450,000), which was based on 5% of profit before tax, which has not changed from the prior year. We believe that profit before tax represents one of the principal key performance indicators for the Group.

Financial statement materiality applied to the trading component of the Group was £198,000 (2018: £425,000) and to the parent company was £125,000 (2018: £120,000). The basis of parent company materiality was based on 2% of the fixed assets investment which has not changed from the prior year.

Performance materiality was set at 75% being £150,000 (2018: 75% being £337,500) of the above materiality levels based on a low level of expected misstatements.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £5,000 (2018: £18,000), which was set at 2% (2018: 4%) of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

Independent auditor's report continued

To the members of Van Elle Holdings plc

An overview of the scope of our audit

The Group manages its central operations from the head office in Nottinghamshire with regional offices at various locations throughout the UK to support its subsidiary's day to day operations. As at the statement of financial position date, the Group consists of the parent company, one trading subsidiary in the UK, and three dormant subsidiaries. The trading subsidiary, Van Elle Limited, is considered to be the only significant component of the Group. The Group engagement team carried out a full scope audit on this significant component of the Group. Our audit work on the trading component was executed at a level of materiality applicable to the individual entity, which was lower than Group materiality. Although the parent company was deemed to be an insignificant component, we have carried out a full scope audit as we were required to give a separate audit opinion on that entity.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 53, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth Singleton
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham
23 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

For the year ended 30 April 2019

	Note	2019 £'000	2018 £'000
Revenue	5	**88,468**	103,872
Cost of sales		**(60,281)**	(69,480)
Gross profit		**28,187**	34,392
Administrative expenses		**(23,625)**	(24,682)
Operating profit	8	**4,562**	9,710
Operating profit before share-based payments, Carillion bad debt write-off and exceptional costs		**5,244**	11,097
Share-based payments	24	**(123)**	(148)
Carillion bad debt write-off	7	**—**	(956)
Exceptional costs	7	**(559)**	(283)
Operating profit	8	**4,562**	9,710
Finance expense	10	**(579)**	(561)
Finance income	10	**52**	25
Profit before tax		**4,035**	9,174
Income tax expense	11	**(823)**	(1,835)
Total comprehensive income for the year		**3,212**	7,339
Earnings per share (pence)			
Basic	13	**4.0**	9.2
Diluted	13	**4.0**	9.2

All amounts relate to continuing operations. There was no other comprehensive income in either the current or preceding year.

The notes on pages 61 to 87 form part of these financial statements.

Consolidated statement of financial position
As at 30 April 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	14	**38,486**	39,502
Intangible assets	15	**2,289**	2,324
		40,775	41,826
Current assets			
Inventories	16	**2,882**	2,565
Trade and other receivables	17	**20,558**	22,225
Corporation tax receivable		**118**	—
Cash and cash equivalents		**7,997**	10,880
		31,555	35,670
Total assets		**72,330**	77,496
Current liabilities			
Trade and other payables	18	**16,506**	17,353
Loans and borrowings	19	**4,695**	5,580
Provisions	21	**236**	270
Corporation tax payable		**—**	753
		21,437	23,956
Non-current liabilities			
Loans and borrowings	19	**7,534**	11,205
Deferred tax	22	**1,298**	969
		8,832	12,174
Total liabilities		**30,269**	36,130
Net assets		**42,061**	41,366
Equity			
Share capital	23	**1,600**	1,600
Share premium		**8,633**	8,633
Retained earnings		**31,810**	31,115
Non-controlling interest		**18**	18
Total equity		**42,061**	41,366

The financial statements were approved and authorised for issue by the Board of Directors on 23 July 2019 and were signed on its behalf by:

Paul Pearson
Chief Financial Officer

The notes on pages 61 to 87 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 April 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	26	**9,463**	13,244
Interest received		**52**	25
Interest paid		**(579)**	(561)
Income tax paid		**(1,366)**	(1,768)
Net cash generated from operating activities		**7,570**	10,940
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,390)**	(5,053)
Disposal of property, plant and equipment		**393**	321
Purchases of intangibles		**(10)**	—
Net cash absorbed in investing activities		**(2,007)**	(4,732)
Cash flows from financing activities			
Repayment of bank borrowings		**(150)**	(150)
Repayments of Invest to Grow loan		**(95)**	(95)
Payments to finance lease creditors		**(5,561)**	(5,421)
Dividends paid		**(2,640)**	(2,520)
Net cash absorbed in financing activities		**(8,446)**	(8,186)
Net decrease in cash and cash equivalents		**(2,883)**	(1,978)
Cash and cash equivalents at beginning of year		**10,880**	12,858
Cash and cash equivalents at end of year	27	**7,997**	10,880

The notes on pages 61 to 87 form part of these financial statements.

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

For the year ended 30 April 2019

	Share capital £'000	Share premium £'000	Non-controlling interest £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2017	1,600	8,633	18	26,070	36,321
Total comprehensive income	—	—	—	7,339	7,339
Share-based payment expense	—	—	—	225	225
Total changes in equity	—	—	—	7,564	7,564
Dividends paid	—	—	—	(2,520)	(2,520)
Balance at 30 April 2018	1,600	8,633	18	31,115	41,366
Total comprehensive income	—	—	—	3,212	3,212
Share-based payment expense	—	—	—	123	123
Total changes in equity	—	—	—	3,335	3,335
Dividends paid	—	—	—	(2,640)	(2,640)
Balance at 30 April 2019	**1,600**	**8,633**	**18**	**31,810**	**42,061**

The notes on pages 61 to 87 form part of these financial statements.

Notes to the consolidated financial statements
For the year ended 30 April 2019

1. General information
The consolidated financial statements present the results of Van Elle Holdings plc (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 April 2019. A list of subsidiaries and their countries of incorporation is presented in note 5 of the parent company financial statements on page 91.

Van Elle Holdings plc is a public limited company incorporated and domiciled in the UK under the Companies Act 2006. The principal activity of the Group is a geotechnical contractor offering a wide range of ground engineering techniques and services including site investigation; driven, bored, drilled and augered piling; and ground stabilisation services. The Group also develops, manufactures and installs precast concrete products for use in specialist foundation applications. Further information on the nature of the Group's operations and principal activities are set out in the strategic report of the consolidated financial statements.

The address of the Company's registered office is Van Elle Holdings plc, Southwell Lane Industrial Estate, Summit Close, Kirkby-in-Ashfield, Nottinghamshire NG17 8GJ. The Company has its primary listing on AIM, part of the London Stock Exchange.

The Group's financial statements were authorised for issue by the Board of Directors on 23 July 2019.

2. Basis of preparation
Basis of accounting
The Group financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"), International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared on the going concern basis and adopting the historical cost convention.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates, which are outlined in the critical accounting estimates and judgements section disclosed in note 4.

The consolidated financial statements are presented in Sterling, which is also the Group's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

Going concern
The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Directors regard the foreseeable future as no less than 12 months following publication of its annual financial statements. The Directors have considered the Group's working capital forecasts and projections, taking account of reasonably possible changes in trading performance and the current state of its operating market, and are satisfied that the Group should be able to operate within the level of its current facilities and in compliance with covenants arising from those facilities. Accordingly, they have adopted the going concern basis in preparing the financial information.

Underlying profit before tax, underlying operating profit and underlying earnings per share
The Directors consider that underlying operating profit, underlying profit before taxation and underlying earnings per share measures referred to in these Group financial statements provide useful information for shareholders on underlying trends and performance. Underlying measures reflect adjustments adding back the exceptional costs, share-based payment charges and the taxation thereon where relevant.

The calculation of underlying basic and diluted underlying earnings per share is shown in note 13.

Adoption of new and revised standards
New standards, interpretations and amendments effective from 1 May 2018

IFRS 9 Financial Instruments

The Group has initially adopted IFRS 9 Financial Instruments from 1 May 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items.

The most significant area of change which impacted the Group's reported results is the introduction of an "expected loss" model for impairment provisioning, which now also includes contract assets recognised under the adoption of IFRS 15 Revenue from Contracts with Customers.

Based on an assessment of historical credit losses and the likelihood of the occurrence of future credit losses on existing financial assets, the Directors consider that there are no further material impairment losses to be recognised against the Group's financial assets as a result of the transition to IFRS 9.

In line with the below amended accounting policy, the financial assets and liabilities held by the Group at 30 April 2019 are classified at amortised cost under IFRS 9 which is in line with treatment under IAS 39. As the basis of measurement has not changed there have been no changes to the carrying amount of the financial instruments as a result of the transition from IAS 39 to IFRS 9. In addition, there have been no modifications to loans that have to be reconsidered as a result of adopting IFRS 9.

Notes to the consolidated financial statements continued

For the year ended 30 April 2019

2. Basis of preparation continued

Adoption of new and revised standards continued

New standards, interpretations and amendments effective from 1 May 2018 continued

IFRS 9 Financial Instruments continued

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's adoption of IFRS 9 Financial Instruments are set out below:

FY18 accounting policy	Amended accounting policy	Nature of change in accounting policy
Financial assets The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity. The Group's accounting policy for each category is as follows: **Fair value through profit or loss** The Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss. **Loans and receivables** These arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the customer or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable and for trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents include cash in hand, deposits held at call with banks, and, for the statement of cash flows, bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.	On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Financial liabilities are measured at amortised cost or FVTPL. The classification of financial assets is based on the way a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at amortised cost if both of the following conditions are met and the financial asset or liability is not designated as at FVTPL: • the financial asset is held with the objective of collecting or remitting contractual cash flows; and • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: • the financial asset is held with the objectives of collecting contractual cash flows and selling the financial asset; and • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. The Group's principal financial instruments comprise cash and cash equivalents, trade receivables, trade payables and interest bearing borrowings. Based on the way these financial instruments are managed and their contractual cash flow characteristics, all the Group's financial instruments are measured at amortised cost using the effective interest method. The amortised cost of financial assets is reduced by impairment losses as described below. Interest income, foreign exchange gains and losses, impairments and gains or losses on derecognition are recognised through the statement of comprehensive income.	IFRS 9 removes the previous IAS 39 categories for financial assets of held to maturity and loans and receivables and available for sale. These are replaced by the categories noted in the amended accounting policy for financial instruments. IFRS 9 retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

2. Basis of preparation continued

Adoption of new and revised standards continued

New standards, interpretations and amendments effective from 1 May 2018 continued

IFRS 9 Financial Instruments continued

FY18 accounting policy

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The Group's accounting policy for each category is as follows:

Fair value through profit or loss

The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Amended accounting policy

Trade receivables and trade payables are held at their original invoiced value, as the interest that would be recognised from discounting future cash flows over the short credit period is not considered to be material.

Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short term. Cash and cash equivalents do not include other financial assets.

Impairment losses against financial assets carried at amortised cost are recognised by reference to any expected credit losses against those assets. The simplified approach for calculating impairment of financial assets has been used. Lifetime expected credit losses are calculated by considering, on a discounted basis, the cash shortfalls that would be incurred in various default scenarios over the remaining lives of the assets and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes.

Nature of change in accounting policy

Cash and cash equivalents, trade receivables, and retentions held by customers for contract work were previously classified as loans and receivables under IAS 39 and were measured at amortised cost. Trade payables and interest bearing borrowings were previously classified as "other financial liabilities" under IAS 39 and were measured at amortised cost. These financial instruments are now classified as financial assets and liabilities at amortised cost under IFRS 9.

The adoption of IFRS 9 has therefore not had any impact on the measurement of the Group's financial assets and liabilities.

IFRS 9 replaces the incurred loss model in IAS 39 with the expected credit loss model, which requires that future events are considered when calculating impairments to financial assets.

Based on an assessment of historical credit losses on the Group's financial assets and the likelihood of the occurrence of future credit losses on existing financial assets, the Directors consider that any increase in impairment provision to be recognised against the Group's financial assets on transition to IFRS 9 is immaterial.

IFRS 15 Revenue from Contracts with Customers

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers from 1 May 2018 and this has not been applied retrospectively. The cumulative effect method has been used to calculate any required adjustment as at 1 May 2018. The Group has elected to apply IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application.

For all contract modifications that occur before the date of initial application, the Group has applied the following expedient:

- for contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications in accordance with IFRS 15 paragraphs 20–21. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented; and
- for all reporting periods presented before the date of initial application, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue:
  - identifying the satisfied and unsatisfied performance obligations;
  - determining the transaction price; and
  - allocating the transaction price to the satisfied and unsatisfied performance obligations.

2. Basis of preparation continued

Adoption of new and revised standards continued

New standards, interpretations and amendments effective from 1 May 2018 continued

IFRS 15 Revenue from Contracts with Customers continued

The only significant change in adopting IFRS 15 is that revenue relating to mobilisation of rig equipment to the customer site is now recognised over time. Under the previous accounting policy this revenue was recognised at the time of mobilisation. Costs relating to mobilisation under IFRS 15 are now capitalised and amortised over time at the same rate as revenue is recognised. Management has performed a detailed review of relevant contracts and calculated the required adjustments and concluded that no material transitional adjustment is required.

IFRS 15 provides a single, principles-based "five-step" model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. It replaces the separate models for goods, services and construction contracts previously included in IAS 11 Construction Contracts.

The following details the amended accounting policy.

FY18 revenue accounting policy	Amended revenue accounting policy	Nature of change in accounting policy
Turnover represents the total amounts receivable by the Group for goods supplied and services provided, excluding value added tax and trade discounts. The Group's turnover arises in the UK. In the case of contracts, when the outcome can be assessed reliably, contract revenue is recognised by reference to the stage of completion of the contract activity at the statement of financial position date. The stage of completion of the contract at the statement of financial position date is assessed regarding the costs incurred to date as a percentage of the total expected costs.	Revenue represents the total amounts receivable by the Group for goods supplied and services provided, excluding value added tax and trade discounts. The Group's turnover arises in the UK. In line with IFRS 15 Revenue from Contracts with Customers the Group recognises revenue based on the application of a principles-based "five-step" model. Only when the five steps are satisfied is revenue recognised. **General and Specialist Piling** The performance obligations and transaction price are defined within signed contracts between the customer and the Group. Each performance obligation represents a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. This is classified as a series as each distinct good in the series meets the definition of a performance obligation satisfied over time and the same method would be used to measure the entity's progress towards complete satisfaction of the performance obligation as to transfer each good to the customer. Mobilisation (moving the piling rig equipment to the customer site) does not represent a separate performance obligation. Mobilisation revenue is included within the transaction price of the related performance obligation and recognised over time. The revenue for each performance obligation is recognised over time because each pile enhances an asset that the customer controls. Revenue is recognised as progress towards complete satisfaction of that performance obligation over time occurs using the output method. Progress is determined by completed pile logs.	The amended accounting policy complies with the "five-step" model required by IFRS 15. The Group's contracts with customers as defined under IFRS 15 correspond in almost all circumstances to construction contracts as previously defined under IAS 11 Construction Contracts. The transaction price under the amended accounting policy corresponds to the value of contract revenue as measured under the previous accounting policy. The previous accounting policy used a percentage completion method, based on cost. The new accounting policy looks at the performance obligations within each contract type. Under the previous accounting policy revenue relating to mobilisation was recognised at the time of mobilisation. Under IFRS 15 this is not a separate performance obligation. This revenue is now split between the different performance obligations and recognised over time. This change has not resulted in any transitional adjustments. Under the previous accounting policy, where the outcome of a construction contract could be estimated reliably, revenue and costs were recognised by reference to the stage of completion of activity at the balance sheet date. This was normally measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs (the "cost to cost" input method). Where the outcome of a construction contract could not be estimated reliably, contract revenue was recognised to the extent of contract costs incurred that it is probable would be recoverable. Due to the nature of the Group's contracts there is a direct correlation between costs being incurred and a series of performance obligations being satisfied. There is no financial impact associated with adopting the output method to calculate progress under IFRS 15.

2. Basis of preparation continued

Adoption of new and revised standards continued

New standards, interpretations and amendments effective from 1 May 2018 continued

IFRS 15 Revenue from Contracts with Customers continued

FY18 revenue accounting policy	Amended revenue accounting policy	Nature of change in accounting policy
Industry practice is to assess the estimated outcome of each contract and recognise the revenue and margin based upon the stage of completion of the contract at the statement of financial position date. The assessment of the outcome of each contract is determined by regular review of the revenues and costs to complete that contract. Consistent contract review procedures are in place in respect of contract forecasting. Revenue is recognised up to the level of the costs which are deemed to be recoverable under the contract. The gross amount receivable from customers for contract work is presented as an asset for all contracts in progress for which costs incurred, plus recognised profits (or less recognised losses), exceed progress billings. The gross amount repayable to or paid in advance by customers for contract work is presented as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). Full provision is made for losses on all contracts in the year in which the loss is first foreseen. Margin associated with contract variations is only recognised when the outcome of the contract negotiations can be reliably estimated. Costs relating to contract variations are recognised as incurred.	**Ground Engineering Services** For the Strata business unit, the performance obligations and transaction price are defined within signed contracts between the customer and the Group. For performance obligations where the customer does not simultaneously receive and consume the benefits (e.g. interpretative reports and testing) the work performed by the Group does not create or enhance an asset that the customer controls. Revenue for these performance obligations is recognised at a point in time (e.g. on delivery of report). Costs relating to these performance obligations are capitalised and fully amortised at the point in time when the performance obligation is fully satisfied. Contracts may also contain a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer (e.g. bore hole drilling). This is classified as a series as an asset is enhanced that the customer controls, each distinct good in the series meets the definition of a performance obligation satisfied over time and the same method would be used to measure the entity's progress towards complete satisfaction of the performance obligation as to transfer each good to the customer. The revenue for each performance obligation is recognised over time because each good enhances an asset that the customer controls. Revenue is recognised as progress towards complete satisfaction of that performance obligation over time using the output method. Progress is determined by completed logs.	

2. Basis of preparation continued

Adoption of new and revised standards continued

New standards, interpretations and amendments effective from 1 May 2018 continued

IFRS 15 Revenue from Contracts with Customers continued

FY18 revenue accounting policy	Amended revenue accounting policy	Nature of change in accounting policy
	For the provision of services to housebuilders each performance obligation represents a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. Mobilisation (moving the piling rig equipment to the customer site) does not represent a separate performance obligation. Mobilisation revenue is included within the transaction price of the related performance obligation and recognised over time. The revenue for each performance obligation is recognised over time because each pile enhances an asset that the customer controls. Revenue is recognised as progress towards complete satisfaction of that performance obligation over time using the output method. Progress is determined by completed pile logs.	
	Variable consideration The following types of income are variable consideration and are only recognised when management determines them to be highly probable: Highly probable represents amounts the client has approved or where the Company has detailed evidence supporting the amounts recognised.	Under IAS 37 variable consideration was recognised when probable. Under IFRS 15 the requirement is for revenue to be highly probable. For the Group the move from probable to highly probable does not create a material change in the timing of revenue recognition.
	Liquidated damages ("LADs") These are included in the contract for both parties. The customer can reduce the amount paid to the Group if it is deemed the Group has caused unnecessary delays or additional work. The Group is also able to claim LADs where it can be proved that the customer has caused unnecessary delays or disruption. The method for claiming this revenue is to include it within the application to the customer, or for the customer to include or exclude in the application certificate returned to the Group. At the point of making an application for LADs the additional revenue or the reduction in revenue is only recognised when it is highly probable that it will occur.	

2. Basis of preparation continued

Adoption of new and revised standards continued

New standards, interpretations and amendments effective from 1 May 2018 continued

IFRS 15 Revenue from Contracts with Customers continued

FY18 revenue accounting policy	Amended revenue accounting policy	Nature of change in accounting policy
	Variable consideration continued Standing time Within the contracts a penalty charge can be made where work is delayed, and the Group assets must stand idle. These charges can be disputed by the customer where blame may not be clear. The revenue for these charges is not recognised until it is highly probable that it will be received. Adjustments to invoiced variable consideration Where revenue relating to variable consideration is invoiced to the customer, revenue is adjusted to remove revenue that is not highly probable. This is subsequently recognised only once it becomes highly probable.	
	Trade receivables Trade receivables includes applications to the extent that there is an unconditional right to payment and the amount has been certified by the customer. **Contract assets** The recoverable amount of applications that have not been certified and other amounts that have not been applied for but represent the recoverable value of work carried out at the balance sheet date are recognised as contract assets within trade and other receivables on the balance sheet. **Contract liabilities** Any payments received in advance of completing the work are recognised within contract liabilities.	The amended accounting policy reflects the requirement under IFRS 15 to recognise all contract balances as contract assets or contract liabilities, other than any unconditional rights to consideration which are presented as receivables. Consequently, this has led to the creation of a new category of asset ("contract assets") within trade and other receivables and a new category of liability ("contract liabilities") within trade and other payables, which includes amounts previously held as trade receivables or payables. Both new categories include amounts previously held as trade receivables or payables on the balance sheet.

Notes to the consolidated financial statements continued

For the year ended 30 April 2019

2. Basis of preparation continued

New standards, interpretations and amendments not yet effective

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective:

- IFRS 16 Leases (effective 1 January 2019)
- Annual Improvements to IFRSs (2015–2017 Cycle) (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures (effective 1 January 2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)
- Amendments to IFRS 3 Business Combinations – Definition of a Business (effective 1 January 2020)
- Definition of Material – Amendments to IAS 1 and IAS 8 (effective 1 January 2020)

Adoption of IFRS 16 will result in the Group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The standard is effective for accounting periods beginning on or after 1 January 2019, as adopted by the European Union.

The Board has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on the balance sheet as at 1 May 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date. At 30 April 2019 operating lease commitments amounted to £9,313,000 (see note 28), which is not expected to be materially different to the anticipated position on 30 April 2020 or the amount which is expected to be disclosed at 30 April 2020. Assuming the Group's lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately £4,348,116 being recognised on 1 May 2019.

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the year ended 30 April 2019 was approximately £197,050.

3. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Any changes in ownership in non-controlling interests is accounted for as an equity transaction.

Revenue

Revenue represents the total amounts receivable by the Group for goods supplied and services provided, excluding value added tax and trade discounts. The Group's turnover arises in the UK.

In line with IFRS 15 Revenue from Contracts with Customers the Group recognises revenue based on the application of a principles-based "five-step" model. Only when the five steps are satisfied is revenue recognised.

General and Specialist Piling

The performance obligations and transaction price are defined within signed contracts between the customer and the Group. Each performance obligation represents a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. This is classified as a series as each distinct good in the series meets the definition of a performance obligation satisfied over time and the same method would be used to measure the entity's progress towards complete satisfaction of the performance obligation as to transfer each good to the customer. Mobilisation (moving the piling rig equipment to the customer site) does not represent a separate performance obligation. Mobilisation revenue is included within the transaction price of the related performance obligation and recognised over time. The revenue for each performance obligation is recognised over time because each pile enhances an asset that the customer controls. Revenue is recognised as progress towards complete satisfaction of that performance obligation over time occurs using the output method. Progress is determined by completed pile logs.

3. Significant accounting policies continued
Revenue continued
Ground Engineering Services
The performance obligations and transaction price are defined within signed contracts between the customer and the Group. Each individual service is not considered a separate performance obligation. For performance obligations where the customer does not simultaneously receive and consume the benefits (e.g. interpretative reports and testing) the work performed by the Group does not create or enhance an asset that the customer controls. Revenue for these performance obligations is recognised at a point in time (e.g. on delivery of report). Costs relating to these performance obligations are capitalised and fully amortised at the point in time when the performance obligation is fully satisfied. Contracts may also contain a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer (e.g. bore hole drilling). This is classified as a series as an asset is enhanced that the customer controls, each distinct good in the series meets the definition of a performance obligation satisfied over time and the same method would be used to measure the entity's progress towards complete satisfaction of the performance obligation as to transfer each good to the customer. The revenue for each performance obligation is recognised over time because each good enhances an asset that the customer controls. Revenue is recognised as progress towards complete satisfaction of that performance obligation over time using the output method. Progress is determined by completed logs.

Ground Engineering Products
Each performance obligation represents a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. Mobilisation (moving the piling rig equipment to the customer site) does not represent a separate performance obligation. Mobilisation revenue is included within the transaction price of the related performance obligation and recognised over time. The revenue for each performance obligation is recognised over time because each pile enhances an asset that the customer controls. Revenue is recognised as progress towards complete satisfaction of that performance obligation over time using the output method. Progress is determined by completed pile logs.

Variable consideration
The following types of income are variable consideration and are only recognised when management determines them to be highly probable:

Liquidated damages ("LADs")
These are included in the contract for both parties. The customer can reduce the amount paid to the Group if it is deemed the Group has caused unnecessary delays or additional work. The Group is also able to claim LADs where it can be proved that the customer has caused unnecessary delays or disruption. The method for claiming this revenue is to include it within the application to the customer, or for the customer to include or exclude it in the application certificate returned to the Group. At the point of making an application for LADs the additional revenue or the reduction in revenue is only recognised when it is highly probable that it will occur.

Standing time
Within the contracts a penalty charge can be made where work is delayed, and the Group assets must stand idle. These charges can be disputed by the customer where blame may not be clear. The revenue for these charges is not recognised until it is highly probable that it will be received.

Adjustments to invoiced variable consideration
Where revenue relating to variable consideration is invoiced to the customer, revenue is adjusted to remove revenue that is not highly probable. This is subsequently recognised only once it becomes highly probable.

Trade receivables
Trade receivables includes applications to the extent that there is an unconditional right to payment and the amount has been certified by the customer.

Contract assets
The recoverable amount of applications that have not been certified and other amounts that have not been applied for but represent the recoverable value of work carried out at the balance sheet date are recognised as contract assets within trade and other receivables on the balance sheet.

Contract liabilities
Any payments received in advance of completing the work are recognised within contract liabilities.

Segment reporting
The operating segments are based on the components that the Board, the Group's principal decision-making body (the Chief Operating Decision Maker), monitors in making decisions about operating matters. Such components are identified based on information that is provided internally in the form of monthly management account reporting, budgets and forecasts to formulate allocation of resources to segments and to assess performance. Revenue from reportable segments is measured on a basis consistent with the income statement. Revenue is generated from within the UK, the Group's country of domicile. Segment results show the contribution directly attributable to each segment in arriving at the Group's operating profit. Segment assets and liabilities comprise those assets and liabilities directly attributable to each segment. Group eliminations represent such consolidation adjustments that are necessary to determine the Group's assets and liabilities.

The business was streamlined during the year by merging eight operating units into five within three operating divisions, General Piling, Specialist Piling and Ground Engineering Services. Segmental results for the prior year have been restated to reflect this change.

3. Significant accounting policies continued

Exceptional items

The Group's income statement separately identifies exceptional items. Such items are those that in the Directors' judgement are one-off in nature and need to be disclosed separately by their size or incidence. In determining whether an item should be disclosed as an exceptional item, the Directors consider quantitative as well as qualitative factors such as frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing exceptional items separately provides an additional understanding of the performance of the Group.

Taxation

The income tax expense represents the sum of current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax is based on taxable profits for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly related to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably. All other repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment and is calculated, using the straight-line method, to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold buildings	–	10%–20% per annum straight line
Plant and machinery	–	8%–20% per annum straight line
Office equipment	–	10%–25% per annum straight line
Motor vehicles	–	10%–25% per annum straight line

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. During the year, plant and machinery estimates have been reviewed and depreciation has been rebased from ten years with nil residual value, to 12 years with 10% residual value, using the straight-line method.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of assets are determined by comparing the proceeds of disposal with the carrying value and are recognised in the statement of comprehensive income.

The Group has made changes to the useful economic lives and residual values, effective from 1 May 2018, together with an associated refinement to the allocation of subsequent expenditure between repairs and capital enhancements.

Depreciation rates and residual values – change in accounting estimate

The Group has made the following changes to the depreciation rates, effective from 1 May 2018. Depreciation is calculated for plant and machinery, using the straight-line method, to write off their carrying value, less residual values, over the expected useful economic lives of between five to twelve years. Previously the residual value was estimated to be zero, and the carrying value deprecation was calculated over an expected useful life of ten years. The change has been applied prospectively as a change in estimate and there has been no restatement of prior periods.

This change in estimates has reduced the depreciation charge reported for 2019 as follows:

	2019 £'000
Using previous depreciation rates	**5,417**
As reported	**4,338**
Variation	**(1,079)**

3. Significant accounting policies continued

Property, plant and equipment continued

Expenditure on subsequent repairs and refurbishments

Also, effective 1 May 2018, and consistent with the evidence considered in support of the revised useful lives and residual values of plant and machinery, the Group has reviewed the previous approach to allocating subsequent expenditure between repairs and enhancements to the existing assets. This review has identified that certain refurbishment costs which were historically added to the cost of the assets and depreciated over a ten year period will, in future, be recognised as an expense in the income statement as incurred, taking into account the revised assessment of useful economic lives and residual values; this expenditure does not enhance the value or extend the lives of the related assets. This change has been applied prospectively as it is not material to previous reported results.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired entity at the date of acquisition. Goodwill is capitalised as an intangible asset. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately in the statement of comprehensive income and are not subsequently reversed.

Goodwill is allocated to each of the Group's cash generating units for the purposes of the impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which they arose, identified by operating segment.

Computer software

Costs incurred to acquire computer software and directly attributable costs of bringing the software into use are capitalised within intangible assets and amortised, on a straight-line basis, over the useful life of the software. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful life for computer software is five years.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows – its cash generating units ("CGUs").

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are initially recognised at cost, and comprise raw materials and consumables held in storage or on project sites and work in progress. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value comprises the estimated selling price in the ordinary course of business less applicable variable selling expenses. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial assets and liabilities

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Financial liabilities are measured at amortised cost or FVTPL.

The classification of financial assets is based on the way a financial asset is managed and its contractual cash flow characteristics.

Financial assets are measured at amortised cost if both of the following conditions are met and the financial asset or liability is not designated as at FVTPL:

- the financial asset is held with the objective of collecting or remitting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held with the objectives of collecting contractual cash flows and selling the financial asset; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies continued

Financial assets and liabilities continued

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables, trade payables and interest bearing borrowings. Based on the way these financial instruments are managed and their contractual cash flow characteristics, all the Group's financial instruments are measured at amortised cost using the effective interest method.

The amortised cost of financial assets is reduced by impairment losses as described below. Interest income, foreign exchange gains and losses, impairments and gains or losses on derecognition are recognised through the statement of comprehensive income.

Trade receivables and trade payables are held at their original invoiced value, as the interest that would be recognised from discounting future cash flows over the short credit period is not considered to be material.

Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short term. Cash and cash equivalents do not include other financial assets.

Impairment losses against financial assets carried at amortised cost are recognised by reference to any expected credit losses against those assets. The simplified approach for calculating impairment of financial assets has been used. Lifetime expected credit losses are calculated by considering, on a discounted basis, the cash shortfalls that would be incurred in various default scenarios over the remaining lives of the assets and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes.

Government grants

Government grants are recognised at their fair value in the statement of financial position, within deferred income, when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants relating to revenue items are released to the statement of comprehensive income and recognised within cost of sales over the period necessary to match the grant on a systematic basis to the costs that they are intended to compensate.

Government grants relating to capital items are recognised within deferred income and released against the related depreciation charge when the completion conditions of these assets are met.

Retirement benefit cost

The Group operates a defined contribution pension scheme for the benefit of employees. The Group pays contributions to publicly or privately administered pension insurance schemes on a mandatory, contractual or voluntary basis. Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Leased assets

Where substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions represent management's best estimates of expenditure required to settle a present obligation at the balance sheet date, after considering the risks and uncertainties that surround the underlying event.

3. Significant accounting policies continued

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group can control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

Share-based payments

The Group operates two equity-settled share-based payment plans, details of which can be found in note 24 to the consolidated financial statements.

The fair value of share-based awards with non-market performance conditions is determined at the date of the grant using a Black-Scholes option pricing model. The fair value of share-based awards with market-related performance conditions is determined at the date of grant using a Monte-Carlo simulation. Share-based awards are recognised as expenses based on the Company's estimate of the shares that will eventually vest, on a straight-line basis over the vesting period, with a corresponding increase in the share option reserve.

At each statement of financial position date, the Company revises its estimates of the number of options that are expected to vest based on service and non-market performance conditions. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest. The impact of the revision of the original estimates, if any, is recognised in the statement of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. Options with market-related performance conditions will vest based on total shareholder return against a selected group of quoted market comparators. Following the initial valuation, no adjustments are made in respect of market-based conditions at the reporting date.

4. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Contracts

The Group's approach to key estimates and judgements relating to construction contracts is set out in the revenue recognition policy above. The main factors considered when making those estimates and judgements include the assessment of variable income, the estimate of the recoverable value of work carried out at the balance sheet date shown under contract assets and the outcome of claims raised against the Group by customers or third parties.

In addition to the aforementioned, the Group recognises impairment provisions in respect of bad and doubtful trade debtors. The judgements and estimates necessary to calculate these provisions are based on historical experience. The simplified approach for calculating impairment of financial assets has been used. Lifetime expected credit losses are calculated by considering, on a discounted basis, the cash shortfalls that would be incurred in various default scenarios over the remaining lives of the assets and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful economic lives based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for appropriateness. During the year, plant and machinery estimates have been reviewed and depreciation has been rebased from five to ten years with nil residual value, to five to twelve years with 10% residual value, on a straight-line basis.

Notes to the consolidated financial statements continued

For the year ended 30 April 2019

5. Segment information

The Group evaluates segmental performance based on profit or loss from operations calculated in accordance with IFRS but excluding non-recurring losses, such as goodwill impairment, and the effects of share-based payments. Inter-segment sales are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of Group resources at a rate acceptable to local tax authorities. Loans and borrowings, insurances and head office central services costs are allocated to the segments based on levels of turnover. Details of the types of products and services for each segment are given in the operational review on pages 28 to 33. All turnover and operations are based in the UK.

Operating segments – 30 April 2019

	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Head office £'000	Total £'000
Revenue	**37,201**	**28,630**	**22,637**	**—**	**88,468**
Underlying operating profit	**1,238**	**2,697**	**1,309**	**—**	**5,244**
Share-based payments	—	—	—	(123)	(123)
Exceptional item	—	—	—	(559)	(559)
Operating profit	**1,238**	**2,697**	**1,309**	**(682)**	**4,562**
Finance expense	—	—	—	(579)	(579)
Finance income	—	—	—	52	52
Profit before tax	**1,238**	**2,697**	**1,309**	**(1,209)**	**4,035**
Assets					
Property, plant and equipment	11,033	12,434	5,465	9,554	38,486
Inventories	1,142	890	828	22	2,882
Reportable segment assets	12,175	13,324	6,293	9,576	41,368
Intangible assets	—	—	—	2,289	2,289
Trade and other receivables	—	—	—	20,676	20,676
Cash and cash equivalents	—	—	—	7,997	7,997
Total assets	**12,175**	**13,324**	**6,293**	**40,538**	**72,330**
Liabilities					
Loans and borrowings	—	—	—	12,229	12,229
Trade and other payables	—	—	—	16,506	16,506
Provisions	—	—	—	236	236
Deferred tax	—	—	—	1,298	1,298
Total liabilities	**—**	**—**	**—**	**30,269**	**30,269**
Other information					
Capital expenditure	1,310	656	793	879	3,638
Depreciation/amortisation	1,249	1,588	581	918	4,336

5. Segment information continued

Operating segments – 30 April 2018 (restated)

	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Head office £'000	Total £'000
Revenue	44,100	38,136	21,636	—	103,872
Underlying operating profit	5,361	3,612	2,124	—	11,097
Share-based payments	—	—	—	(148)	(148)
Exceptional item	—	(956)	—	(283)	(1,239)
Operating profit	5,361	2,656	2,124	(431)	9,710
Finance expense	—	—	—	(561)	(561)
Finance income	—	—	—	25	25
Profit before tax	5,361	2,656	2,124	(967)	9,174
Assets					
Property, plant and equipment	11,278	13,577	4,990	9,657	39,502
Inventories	1,481	520	553	11	2,565
Reportable segment assets	12,759	14,097	5,543	9,668	42,067
Intangible assets	—	—	—	2,324	2,324
Trade and other receivables	—	—	—	22,225	22,225
Cash and cash equivalents	—	—	—	10,880	10,880
Total assets	12,759	14,097	5,543	45,097	77,496
Liabilities					
Loans and borrowings	—	—	—	16,785	16,785
Trade and other payables	—	—	—	18,106	18,106
Provisions	—	—	—	270	270
Deferred tax	—	—	—	969	969
Total liabilities	—	—	—	36,130	36,130
Other information					
Capital expenditure	4,731	3,910	2,882	1,627	13,150
Depreciation/amortisation	1,536	2,555	806	852	5,749

The business was streamlined during the year by merging eight operating units into five within three operating divisions, General Piling, Specialist Piling and Ground Engineering Services. Segmental results for the prior year have been restated to reflect this change.

There are no individual customers accounting for more than 10% of Group revenue in either the current or preceding year.

6. Revenue from contracts with customers

Disaggregation of revenue – 30 April 2019

End market	**General Piling £'000**	**Specialist Piling £'000**	**Ground Engineering Services £'000**	**Total £'000**
New housing	**16,076**	**2,687**	**20,044**	**38,807**
Infrastructure	**5,549**	**20,576**	**1,545**	**27,670**
Commercial and industrial	**14,494**	**5,143**	**895**	**20,532**
Public	**1,001**	**224**	**153**	**1,378**
Other	**81**	**—**	**—**	**81**
Total	**37,201**	**28,630**	**22,637**	**88,468**

Disaggregation of revenue – 30 April 2018

End market	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Total £'000
New housing	26,768	6,774	18,342	51,884
Infrastructure	5,227	25,459	1,657	32,343
Commercial and industrial	9,565	5,668	1,124	16,357
Public	1,863	235	51	2,149
Other	677	—	462	1,139
Total	44,100	38,136	21,636	103,872

7. Exceptional costs

	2019 £'000	2018 £'000
Carillion bad debt write-off	—	956
Exceptional costs	559	283
	559	1,239

Exceptional costs

Current year exceptional costs primarily relate to restructuring including redundancy and related consultancy costs as the Group was streamlined from eight to five divisions.

Also included in the year is a one-off loss of £90,000 following a settlement the Company reached with a supplier relating to non-compliant plant and machinery.

The prior year exceptional item relates to costs associated with an EGM held on 15 December 2017, and due diligence fees for an aborted acquisition.

8. Operating profit

Operating profit is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	4,291	5,705
Amortisation of intangible assets	45	44
Government grants	(9)	(9)
Operating lease expense:		
– Plant and machinery on short-term hire	2,706	3,666
– Other	211	158
Profit on disposal of property, plant and equipment	(26)	(267)
Fees payable to the Company's auditor for the audit of the Group financial statements	15	15
Fees payable to the Company's auditor for other services:		
– Audit of financial statements of subsidiaries pursuant to legislation	53	37
– Taxation compliance	5	10
– Non-audit assurance services	17	16

9. Staff costs

Staff costs, including Directors, are outlined below. Further details of Directors' remuneration, including details of the highest paid Director, share options, long-term incentive plans and Directors' pension entitlements are disclosed in the remuneration report on page 50.

	2019 £'000	2018 £'000
Employee benefits expenses (including Directors):		
Wages and salaries	24,642	26,059
Social security contributions and similar taxes	2,741	3,232
Defined contribution pension cost	504	292
Share-based payments (note 24)	123	148
	28,010	29,731
Directors and key management personnel:		
Wages and salaries	1,907	1,911
Defined contribution pension cost	69	59
Share-based payments (note 24)	123	148
	2,099	2,118

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company, the Chief Financial Officer and operating unit divisional directors.

The average number of employees, including Directors, during the year was as follows:

	2019 Number	2018 Number
Administrative	175	173
Operative	355	402
	530	575

10. Finance income and expense

	2019 £'000	2018 £'000
Finance income		
Interest received on bank deposits	**52**	25
Finance expense		
Finance leases	**546**	527
Loan interest	**33**	34
	579	561

11. Income tax expense

	2019 £'000	2018 £'000
Current tax expense		
Current tax on profits for the year	**537**	1,647
Adjustment for over provision in the prior period	**(43)**	(3)
Total current tax	**494**	1,644
Deferred tax expense		
Origination and reversal of temporary differences	**329**	188
Recognition of previously unrecognised deferred tax assets	**—**	3
Effect of decreased tax rate on opening balance	**—**	—
Total deferred tax	**329**	191
Income tax expense	**823**	1,835

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2019 £'000	2018 £'000
Profit before income taxes	**4,035**	9,174
Tax using the standard corporation tax rate of 19% (2018: 19%)	**767**	1,743
Adjustments for over provision in previous periods	**(43)**	—
Expenses not deductible for tax purposes	**94**	81
Non-qualifying depreciation	**5**	11
Short-term timing differences	**—**	—
Total income tax expense	**823**	1,835

During the year ended 30 April 2019, corporation tax has been calculated at 18.0% of estimated assessable profit for the year (2018: 18.9%).

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of the deferred tax at the statement of financial position date. The closing deferred tax liability at 30 April 2019 has been calculated at 17%, reflecting the tax rate at which the deferred tax is expected to be utilised in future periods.

12. Dividends

	2019 £'000	2018 £'000
Final dividend – year ended 2018		
2.3p per ordinary share paid during the year (2018: 1.75p)	**1,840**	1,400
Interim dividend – year ended 2019		
1.0p per ordinary share paid during the year (2018: 1.40p)	**800**	1,120
	2,640	2,520

The proposed final dividend for the year ended 30 April 2019 of 1.0p per share amounting to £800,000 and representing a total dividend of 2.0p per share for the full year will be paid on 27 September 2019 to the shareholders on the register at the close of business on 6 September 2019. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The Board of the subsidiary company will pay a dividend to the Company in advance of the final proposed dividend being paid to ensure that the Company has sufficient distributable reserves in order to pay the dividend.

Notes to the consolidated financial statements continued

For the year ended 30 April 2019

13. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	2019 '000	2018 '000
Basic weighted average number of shares	**80,000**	80,000

There is no dilutive effect of the share options as performance conditions remain unsatisfied or the share price was below the exercise price or the dilution effect is less than 0.1p.

	£'000	£'000
Profit for the year	**3,212**	7,339
Add back/(deduct):		
Share-based payments	**123**	148
Exceptional costs	**559**	1,239
Tax effect of the above	**(106)**	(210)
Underlying profit for the year	**3,788**	8,516

	Pence	Pence
Earnings per share		
Basic	**4.0**	9.2
Diluted	**4.0**	9.2
Basic – excluding exceptional costs and share-based payments	**4.7**	10.6
Diluted – excluding exceptional costs and share-based payments	**4.7**	10.6

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders and on 80,000,000 ordinary shares (2018: 80,000,000) being the weighted average number of ordinary shares.

The underlying earnings per share is based on profit adjusted for exceptional operating costs and share-based payment charges, net of tax, and on the same weighted average number of shares used in the basic earnings per share calculation above. The Directors consider that this measure provides an additional indicator of the underlying performance of the Group.

14. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost					
At 1 May 2017	6,250	33,447	7,311	356	47,364
Additions	537	10,881	1,652	80	13,150
Disposals	—	(1,047)	(208)	—	(1,255)
At 1 May 2018	6,787	43,281	8,755	436	59,259
Additions	356	2,574	684	24	3,638
Disposals	—	(938)	(508)	—	(1,446)
At 30 April 2019	**7,143**	**44,917**	**8,931**	**460**	**61,451**
Accumulated depreciation					
At 1 May 2017	432	12,143	2,480	199	15,254
Charge for the year	259	4,187	1,195	64	5,705
Disposals	—	(1,044)	(158)	—	(1,202)
At 1 May 2018	691	15,286	3,517	263	19,757
Charge for the year	283	2,684	1,280	44	4,291
Disposals	—	(743)	(340)	—	(1,083)
At 30 April 2019	**974**	**17,227**	**4,457**	**307**	**22,965**
Net book value					
At 30 April 2018	6,096	27,995	5,238	173	39,502
At 30 April 2019	**6,169**	**27,690**	**4,474**	**153**	**38,486**

14. Property, plant and equipment continued

The net carrying amount of property, plant and equipment includes the following amounts held under finance leases: plant and machinery £20,998,267 (2018: £21,917,906) and motor vehicles £2,114,174 (2018: £2,422,149). The depreciation charges for these assets were £2,024,671 and £420,829 (2018: £2,848,000 and £402,000) respectively.

Bank borrowings are secured on the Group's freehold land and buildings.

Included within plant and machinery are £511,000 (2018: £nil) of assets in the course of construction.

15. Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 May 2017	2,179	183	2,362
Additions	—	38	38
At 1 May 2018	2,179	221	2,400
Additions	—	10	10
At 30 April 2019	**2,179**	**231**	**2,410**
Accumulated amortisation			
At 1 May 2017	—	32	32
Charge for the year	—	44	44
At 1 May 2018	—	76	76
Charge for the year	—	45	45
At 30 April 2019	**—**	**121**	**121**
Net book value			
At 30 April 2018	2,179	145	2,324
At 30 April 2019	**2,179**	**110**	**2,289**

Goodwill

Goodwill acquired is allocated, at acquisition, to CGUs that are expected to benefit from that business combination. The carrying value of goodwill is allocated as follows and is reflective of the CGUs following the restructuring referred to in the CEO review on page 8.

	2019 £'000	2018 £'000
General Piling	**1,101**	1,147
Specialist Piling	**890**	742
Ground Engineering Services	**188**	240
Ground Engineering Products	**—**	50
	2,179	2,179

The Group tests annually for impairment of goodwill. The recoverable amounts of CGUs are determined using value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on the Board-approved budget for the year ended 30 April 2020. Subsequent cash flows are extrapolated using an estimated growth rate of 2%.

The rate used to discount the projected cash flows is a pre-tax risk-adjusted discount rate of 13% for all business segments. The same discount rate has been used for each CGU as the principal risks associated with the Group, as highlighted on pages 21 to 23, would also impact each CGU in a similar manner.

The value-in-use calculations described above, together with a sensitivity analysis using reasonable assumptions, indicate ample headroom and therefore do not give rise to impairment concerns.

16. Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	**1,875**	1,430
Work in progress	**1,007**	1,135
	2,882	2,565

There were no impairment losses relating to damaged or obsolete inventories in the current or previous periods. The cost of materials recognised as an expense within cost of sales is £29,726,000 (2018: £35,725,000).

Notes to the consolidated financial statements continued

For the year ended 30 April 2019

17. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	**15,296**	17,411
Less: provision for impairment	**(48)**	—
Trade receivables – net	**15,248**	17,411
Receivables from related parties	**—**	—
Financial assets classified as amortised costs	**15,248**	17,411
Contract assets	**1,771**	1,693
Prepayments	**2,871**	3,111
Other receivables	**668**	10
	20,558	22,225

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

All amounts shown under receivables fall due within one year.

The Group does not hold any collateral as security over trade receivables or contract assets.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers and isolated items not deemed to be indicative of future credit losses (Carillion).

As at 30 April 2019 the lifetime expected loss provision for trade receivables and contract assets is as follows:

	Expected loss rate	Gross carrying amount £'000	Loss provision £'000
Current	0.0%	13,108	—
More than 30 days past due	0.1%	1,028	1
More than 60 days past due	2.5%	444	11
More than 90 days past due	5.0%	716	36
		15,296	48

Movements in the impairment allowance for trade receivables are as follows:

	2019 £'000	2018 £'000
At 1 May	**—**	135
Increase during the year	**157**	821
Receivable written off during the year as uncollectable	**(109)**	(956)
Unused amounts reversed	**—**	—
At 30 April	**48**	—

The movement in the impairment allowance for trade receivables has been included in the administrative expenses line in the consolidated statement of comprehensive income.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

18. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	**14,517**	15,672
Other payables	**301**	295
Accruals	**648**	459
Financial liabilities measured at amortised cost	**15,466**	16,426
Contract liabilities	**291**	174
Tax and social security payments	**749**	753
	16,506	17,353

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

19. Loans and borrowings

	2019 £'000	2018 £'000
Non-current		
Bank loans secured	**825**	975
Other loans secured	**—**	12
Finance leases (note 28)	**6,709**	10,218
	7,534	11,205
Current		
Bank loans secured	**150**	150
Other loans secured	**15**	97
Finance leases (note 28)	**4,530**	5,333
	4,695	5,580
Total loans and borrowings	**12,229**	16,785
Maturity of loans and borrowings		
Due within one year	**4,695**	5,580
Between two and five years	**7,534**	11,205
After more than five years	**—**	—
	12,229	16,785

The carrying value of loans and borrowings approximates to fair value.

The loans are secured against specific freehold land and buildings and interest is payable at LIBOR plus 2.25% per annum and the finance leases are secured against the specific assets subject to the lease.

The Group has a £3m overdraft facility in place, currently unutilised, which is subject to annual review.

20. Financial instruments and risk management

The Group's financial instruments comprise cash, fixed-rate loans, obligations under finance leases and various items such as receivables and payables which arise from its operations.

The carrying amounts of all the Group's financial instruments are measured at amortised cost in the financial statements.

Financial instruments by category

	Amortised cost	
	2019 £'000	2018 £'000
Financial assets		
Cash and cash equivalents	**7,997**	10,880
Trade and other receivables	**15,248**	17,411
Total financial assets	**23,245**	28,291

	Amortised cost	
	2019 £'000	2018 £'000
Current financial liabilities		
Trade and other payables	**15,466**	16,426
Secured loans	**165**	247
Finance lease obligations	**4,530**	5,333
Total current financial liabilities	**20,161**	22,006
Non-current financial liabilities		
Secured loans	**825**	987
Finance lease obligations	**6,709**	10,218
Total non-current financial liabilities	**7,534**	11,205
Total financial liabilities	**27,695**	33,211

20. Financial instruments and risk management continued

Capital management

The Group's capital structure is kept under constant review, taking account of the need for, availability and cost of various sources of finance. The capital structure of the Group consists of net debt, as shown in note 27, and equity attributable to equity holders of the parent as shown in the consolidated statement of financial position. The Group maintains a balance between certainty of funding and a flexible, cost-effective financing structure with all main borrowings being from committed facilities. The Group's policy continues to ensure that its capital structure is appropriate to support this balance and the Group's operations. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Financial risk management

The Group's objectives when managing finance and capital are to safeguard the Group's ability to continue as a going concern, to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to any externally imposed capital requirements.

The main financial risks faced by the Group are liquidity risk, credit risk and market risk (which includes interest rate risk). Currently, the Group only operates in the UK and only transacts in Sterling. It is therefore not exposed to any foreign currency exchange risk. The Board regularly reviews and agrees policies for managing each of these risks.

Credit risk

The Group's financial assets are trade and other receivables and bank and cash balances. These represent the Group's maximum exposure to credit risk in relation to financial assets.

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations. It is Group policy to assess the credit risk of all existing and new customers on a contract-by-contract basis before entering contracts. The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Total contract limits are established for each customer, which represent the maximum exposure permissible without requiring approval from the Board.

The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to their credit rating and by regular review of these ratings. The Board regularly reviews the credit rating of the banks where funds are deposited ensuring that only banks with a credit rating of B, or better, are utilised.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due and managing its working capital, debt and cash balances.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 90 days. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on its long-term borrowings. This is further discussed in the "market risk" section below.

The Board receives rolling three month cash flow projections on a weekly basis. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down on its agreed £3,000,000 overdraft facility.

The following table sets out the undiscounted contractual payments and maturities (including future interest charges) of financial liabilities:

	Carrying value £'000	Total £'000	Due less than 3 months £'000	Due between 3 and 12 months £'000	Due within 1 to 5 years £'000
At 30 April 2019					
Trade and other payables	**15,466**	**15,466**	**15,466**	**—**	**—**
Secured loans	**990**	**1,031**	**61**	**133**	**837**
Finance lease obligations (note 28)	**11,239**	**12,264**	**1,345**	**3,619**	**7,300**
	27,695	**28,761**	**16,872**	**3,752**	**8,137**
At 30 April 2018					
Trade and other payables	16,426	16,426	16,426	—	—
Secured loans	1,234	1,295	70	207	1,018
Finance lease obligations (note 28)	15,551	17,031	1,459	4,377	11,195
	33,211	34,752	17,955	4,584	12,213

Market risk – interest rate risk

It is currently Group policy that 100% of external Group borrowings (excluding short-term overdraft facilities) are fixed-rate borrowings. Divisions are not permitted to borrow short or long term from external sources. At 30 April 2019, it is estimated that a general increase of one percentage point in interest rates would have a negligible impact on the reported profit.

21. Provisions

	Warranty provision £'000	Insurance provision £'000	Total £'000
At 1 May 2018	35	235	270
Utilised	—	(34)	(34)
Additional provision	—	—	—
Released unused	—	—	—
At 30 April 2019	**35**	**201**	**236**
Due within one year	35	201	236
	35	**201**	**236**

Warranty provision relates to workmanship claims and is based on potential costs to make good defects and associated legal and professional fees in contesting the claims.

Insurance provision comprises insurance policy excesses associated with insurance claims.

22. Deferred tax

	Accelerated capital allowances £'000	Short-term timing differences £'000	Share-based payments £'000	Total £'000
At 1 May 2017	780	(2)	—	778
Charge to income statement	191	—	—	191
Charge to equity	—	—	—	—
At 30 April 2018	971	(2)	—	969
Charge/(credit) to income statement	332	(3)	—	329
Charge to equity	—	—	—	—
At 30 April 2019	**1,303**	**(5)**	**—**	**1,298**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2018: 17%) being the rate at which deferred tax is expected to reverse in the future (see note 11).

23. Share capital

	2019		2018	
	'000	**£'000**	'000	£'000
Authorised				
Ordinary shares of 2p each	**80,000**	**1,600**	80,000	1,600
Total authorised share capital	**80,000**	**1,600**	80,000	1,600
Allotted, issued and fully paid				
Ordinary shares of 2p each	**80,000**	**1,600**	80,000	1,600
Total allotted, issued and fully paid	**80,000**	**1,600**	80,000	1,600

Share options

The maximum total number of ordinary shares which may vest in the future, in respect of conditional performance share plan awards at 30 April 2019, amounted to 4,193,562 (2018: 2,461,254). These shares will only be issued subject to satisfying certain performance criteria (note 24).

Notes to the consolidated financial statements continued

For the year ended 30 April 2019

24. Share-based payments

The Company operates two share-based incentive schemes for Directors and key employees, known as the Van Elle Holdings plc Long Term Incentive Plan ("LTIP") and the Van Elle Holdings plc Company Share Option Plan ("CSOP"). Both schemes are United Kingdom tax authority-approved schemes.

The Group recognised total expenses of £122,870 (2018: £148,000) in respect of equity-settled share-based payment transactions in the year.

Long Term Incentive Plan ("LTIP")

The Group operates an LTIP for senior executives. Share options were granted on admission to the AIM market in October 2016. The exercise price is 2p, being the nominal value of shares. The options will vest after three years assuming continuing employment with the Company. The extent to which the options will vest is dependent upon the Company's performance over the three year period set at the date of grant. The vesting of 50% of the awards will be determined by the Company's relative total shareholder return ("TSR") performance and the other 50% by the Company's absolute EPS performance.

Details of the maximum total number of ordinary shares, which may be issued in future periods in respect of conditional share awards at 30 April 2019, is shown below.

	2019 Number	2018 Number
At 1 May	**1,030,000**	1,155,000
Granted in the year	**331,395**	—
Forfeited in the year	**(115,000)**	(125,000)
At 30 April	**1,246,395**	1,030,000

On joining the Company on 13 August 2018, Mark Cutler was granted an award over a total of 331,395 ordinary shares of 2p each in the capital of the Company under the Van Elle Holdings plc Long Term Incentive Plan 2016, at an exercise price of 2p per share.

The weighted average exercise price for all options is £0.02. Of the total number of options outstanding at 30 April 2019, none had vested or were exercisable.

The weighted average fair value of each option granted during the year was £0.73 (2018: £0.93). The weighted average remaining contractual life for share options outstanding at the balance sheet date was 36 months (2018: 42 months).

The following information is relevant in the determination of the fair value of options granted during the year under the LTIP.

	2019
Option pricing model used	Monte-Carlo simulation/Black-Scholes
Weighted average share price at grant date	£0.86
Exercise price	£0.02
Expected life	3 years
Expected volatility	34.42%
Dividend yield	4.46%
Risk-free interest rate (zero-coupon bonds)	1.26%
Fair value of option (weighted average)	£0.73

The expected volatility is based on historical volatility over the period since listing. The risk-free rate is the yield on zero-coupon government bonds of a term consistent with the assumed option life.

Company Share Ownership Plan ("CSOP")

The Group operates a CSOP scheme for certain long-serving employees with over ten years service at the time of listing of the Company. The exercise price is equal to the share price at the date of grant and there are no performance conditions attaching to the award of options, other than to remain in employment with the business for five years from date of grant.

Details of the maximum total number of ordinary shares which may be issued in future periods in respect of conditional share awards at 30 April 2019 is shown below.

	2019 Number	2018 Number
At 1 May	**1,431,254**	1,588,060
Granted – 26 October 2016	**—**	—
Granted – 20 January 2017	**—**	—
Forfeited in the year	**(256,806)**	(156,806)
At 30 April	**1,174,448**	1,431,254

The weighted average exercise price for all options is £1.02. The weighted average remaining contractual life for share options outstanding at the balance sheet date for the combined grants was 30 months (2018: 42 months).

24. Share-based payments continued

Company Share Ownership Plan ("CSOP") continued

Of the total number of options outstanding at 30 April 2019, none had vested or were exercisable.

The weighted average fair value of each option granted during the year was £nil (2018: £0.27). The following information is relevant in the determination of the fair value of options granted during the year under the CSOP.

	Grant October 2016	Grant January 2017
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date	£1.00	£1.19
Exercise price	£1.00	£1.19
Expected life	3 years	3 years
Expected volatility	36%	36%
Dividend yield	1.7%	1.7%
Risk-free interest rate (zero-coupon bonds)	1.5%	1.5%
Fair value of option	£0.23	£0.27

Save As You Earn Plan ("SAYE")

The Group introduced a SAYE scheme during the year open to all employees. Under the offering, on 26 February 2019, 1,752,719 share options were granted to 144 participants. The option price was set at £0.53 which represented a 20% discount on the closing share price on 28 January 2019 and was agreed with the United Kingdom tax authority. The options have a term of three years starting on 1 April 2019 and the first maturity date will be 1 April 2022.

Details of the maximum total number of ordinary shares, which may be issued in future periods in respect of conditional share awards at 30 April 2019, is shown below.

	2019 Number	2018 Number
At 1 May	**—**	—
Granted in the year	**1,752,719**	—
Forfeited in the year	**—**	—
At 30 April	**1,752,719**	—

On 26 February 2019, 1,752,719 share options were granted under the Company's Save As You Earn Plan with an option price of 53p per ordinary share.

The weighted average remaining contractual life for share options outstanding at the balance sheet date was 41 months.

The weighted average fair value of each option granted during the year was £0.13 (2018: £nil). The following information is relevant in the determination of the fair value of options granted during the year under the SAYE.

	Grant February 2019
Option pricing model used	Black-Scholes
Weighted average share price at grant date	£0.65
Exercise price	£0.53
Expected life	3 years
Expected volatility	35%
Dividend yield	6.88%
Risk-free interest rate (zero-coupon bonds)	1.12%
Fair value of option (weighted average)	£0.13

25. Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium	The amount of capital contributed in excess of the nominal value of each ordinary share.
Non-controlling interest	The value of minority interests in dormant Group companies.
Retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere.

Notes to the consolidated financial statements continued

For the year ended 30 April 2019

26. Cash generated from operations

	2019 £'000	2018 £'000
Operating profit	**4,562**	9,710
Adjustments for:		
Depreciation of property, plant and equipment	**4,291**	5,705
Amortisation of intangible assets	**45**	44
Profit on disposal of property, plant and equipment	**(26)**	(267)
Share-based payment expense	**123**	225
Operating cash flows before movement in working capital	**8,995**	15,417
Increase in inventories	**(317)**	(142)
Decrease/(increase) in trade and other receivables	**1,666**	(3,429)
(Decrease)/increase in trade and other payables	**(847)**	1,470
Decrease in provisions	**(34)**	(72)
Cash generated from operations	**9,463**	13,244

27. Analysis of cash and cash equivalents and reconciliation to net debt

	2018 £'000	Cash flows £'000	Non-cash flows £'000	2019 £'000
Cash at bank	10,832	(2,879)	—	**7,953**
Cash in hand	48	(4)	—	**44**
Cash and cash equivalents	10,880	(2,883)	—	**7,997**
Bank loans secured	(1,125)	150	—	**(975)**
Other loans secured	(110)	95	—	**(15)**
Finance leases	(15,550)	5,561	(1,250)	**(11,239)**
Net debt	(5,905)	2,923	(1,250)	**(4,232)**

Significant non-cash transactions include the purchase of £1,250,181 (2018: £8,135,057) of fixed assets on hire purchase.

28. Lease commitments

Finance leases

Future lease payments are due as follows:

	Minimum lease payments £'000	Interest £'000	Present value £'000
30 April 2019			
Not later than one year	**4,964**	**434**	**4,530**
Between one year and five years	**7,300**	**591**	**6,709**
Later than five years	**—**	**—**	**—**
At 30 April 2019	**12,264**	**1,025**	**11,239**
Current liabilities	**4,964**	**434**	**4,530**
Non-current liabilities	**7,300**	**591**	**6,709**
30 April 2018			
Not later than one year	5,858	525	5,333
Between one year and five years	11,173	955	10,218
Later than five years	—	—	—
At 30 April 2018	17,031	1,480	15,551
Current liabilities	5,858	525	5,333
Non-current liabilities	11,173	955	10,218

28. Lease commitments continued

Operating leases – lessee

The total value of minimum lease payments is due as follows:

	2019 £'000	2018 £'000
Due within one year	**220**	136
Between one and five years	**912**	887
Later than five years	**8,181**	8,409
	9,313	9,432

Following a review of lease commitments in the year it was identified that one lease expires at a later date than previously understood and therefore prior year figures have been restated to reflect the actual commitment.

29. Capital commitments

	2019 £'000	2018 £'000
Contracted but not provided for	**1,317**	1,268

30. Related party transactions

Details of Directors' remuneration and key management personnel remuneration are given in note 9.

Other related party transactions are as follows:

		Transaction amount		Balance owed	
Related party transaction	Type of transaction	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Dividends paid to key management personnel	Dividends received	**173**	428	**—**	—

The Group has not made any allowance for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2019 or 2018 regarding related party debtors.

Parent company statement of financial position

As at 30 April 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Investments	5	**6,399**	6,276
		6,399	6,276
Current assets			
Trade and other receivables	6	**4,035**	6,675
		4,035	6,675
Total assets		**10,434**	12,951
Current liabilities			
Trade and other payables	7	**31**	31
		31	31
Net assets		**10,403**	12,920
Equity			
Share capital	9	**1,600**	1,600
Share premium		**8,633**	8,633
Retained earnings		**170**	2,687
Total equity		**10,403**	12,920

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit after taxation for the year amounted to £nil (2018: £nil).

The financial statements were approved and authorised for issue by the Board of Directors on 23 July 2019 and were signed on its behalf by:

Paul Pearson
Director

The notes on pages 90 to 92 form part of these financial statements.

Parent company statement of changes in equity
For the year ended 30 April 2019

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2017	1,600	8,633	4,982	15,215
Total comprehensive income	—	—	—	—
Share-based payment expense	—	—	225	225
Dividends paid	—	—	(2,520)	(2,520)
Balance at 30 April 2018	1,600	8,633	2,687	12,920
Total comprehensive income	—	—	—	—
Share-based payment expense	—	—	123	123
Dividends paid	—	—	(2,640)	(2,640)
Balance at 30 April 2019	**1,600**	**8,633**	**170**	**10,403**

The notes on pages 90 to 92 form part of these financial statements.

Notes to the parent company financial statements

For the year ended 30 April 2019

1. General information

These financial statements were approved and authorised for issue by the Board of Directors on 23 July 2019.

Van Elle Holdings plc is a public limited company incorporated and domiciled in the UK under the Companies Act 2006. The address of the Company's registered office is Van Elle Holdings plc, Southwell Lane Industrial Estate, Summit Close, Kirkby-in-Ashfield, Nottinghamshire NG17 8GJ. The Company has its primary listing on AIM, part of the London Stock Exchange.

2. Basis of preparation

The financial statements of Van Elle Holdings plc (the "Company") are presented as required by the Companies Act 2006. The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"), International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The Company financial statements have been prepared on the going concern basis and adopting the historical cost convention.

The Company financial statements are presented in Sterling, which is also the Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and not presented an income statement or a statement of comprehensive income for the Company. The profit for the year is disclosed in the statement of changes in equity.
The Company has no direct employees and all personnel costs are borne by the subsidiary company, Van Elle Limited.

The parent company does not maintain a separate bank account and all cash flows are transacted by subsidiary undertakings and therefore a statement of cash flows is not presented.

The parent company does not employ any staff.

The assessment of going concern and the adoption of new accounting standards are consistent with those set out in note 2 of the consolidated financial statements.

3. Significant accounting policies

The policies adopted by the Company are consistent with those set out in note 3 to the consolidated financial statements. The following additional policies are also relevant to the Company financial statements.

Investments

Investments in subsidiary undertakings are valued at cost, being the fair value of the consideration given and including directly attributable transaction costs. The carrying value is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Dividends received

Revenue is recognised when the Company's right to receive the payment is established, which is generally when the shareholders approve the dividend.

4. Critical accounting estimates and judgements

The preparation of the Company financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the actual results. The estimates and assumptions relevant to the financial statements are embedded within the relevant notes in the consolidated financial statements.

Carrying value of investments

The key source of estimation uncertainty at the reporting date that has a significant risk of causing a material adjustment to the parent company financial statements is the recoverability of the investments set out in note 5.

The recoverability is estimated based on the expected performance and value of the investments factoring in the potential expected future net cash flow to be generated from the investment. The Company based its estimation on information available when these financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected when they occur.

5. Investments

	2019 £'000	2018 £'000
Cost		
At 30 April	**6,399**	6,276

The undertakings in which the Company has an interest in at the year end are as follows:

	Class of share capital held	Proportion of share capital held	Nature of business
Subsidiary undertakings			
Van Elle Limited	Ordinary	100%	Open-site piling, ground stabilisation, restricted access micro piling, site investigation and subsidence repair in the construction/civil engineering sector
Subsidiary undertakings of Van Elle Limited			
A & G (Steavenson) Limited	Ordinary	75%	Dormant
Dram Investments Limited	Ordinary	100%	Dormant
Van Elle 15 Ltd	Ordinary	100%	Dormant

The registered office of all subsidiary undertakings is Southwell Lane Industrial Estate, Summit Close, Kirkby-in-Ashfield, Nottinghamshire NG19 8GJ.

6. Trade and other receivables

	2019 £'000	2018 £'000
Receivables from related parties	**—**	—
Receivables from Group undertakings	**4,035**	6,675
Financial assets classified as loans and receivables	**4,035**	6,675
Prepayments	**—**	—
Other receivables	**—**	—
	4,035	6,675

The receivables from Group undertakings represent an interest-free loan to the subsidiary which is repayable on demand. In assessing the expected credit loss the general approach has been applied. The subsidiary has resources to repay the loan on demand at the year end and as such the probability of default is considered to be very low and any expected credit loss is immaterial. There has been no change in credit risk since initial recognition.

7. Trade and other payables

	2019 £'000	2018 £'000
Other payables	**31**	31
Accruals	**—**	—
Amounts owed to Group undertakings	**—**	—
Financial liabilities measured at amortised cost	**31**	31
Tax and social security payments	**—**	—
Deferred income	**—**	—
	31	31

8. Financial instruments and risk management

The Company's financial instruments comprise receivables and payables, which arise from its operations. The carrying amounts of all the Company's financial instruments are measured at amortised cost in the financial statements.

Financial instruments by category

	Amortised cost	
	2019 £'000	2018 £'000
Financial assets		
Trade and other receivables	**4,035**	6,675
Total financial assets	**4,035**	6,675

Notes to the parent company financial statements continued

For the year ended 30 April 2019

8. Financial instruments and risk management continued

Financial instruments by category continued

	Amortised cost	
	2019 £'000	2018 £'000
Current financial liabilities		
Trade and other payables	**31**	31
Total financial liabilities	**31**	31

Financial risk management

The Company's objectives when managing finance and capital are detailed in note 20 of the consolidated financial statements.

9. Share capital

	2019		2018	
	'000	£'000	'000	£'000
Authorised				
Ordinary shares of 2p each	**80,000**	**1,600**	80,000	1,600
Total authorised share capital	**80,000**	**1,600**	80,000	1,600
Allotted, issued and fully paid				
Ordinary shares of 2p each	**80,000**	**1,600**	80,000	1,600
Total allotted, issued and fully paid	**80,000**	**1,600**	80,000	1,600

The details of the movements in share capital are disclosed in note 23 of the consolidated financial statements.

10. Share-based payments

For detailed disclosures of share-based payments granted to employees refer to note 24 of the consolidated financial statements.

11. Reserves

The nature and purpose of each reserve is provided in note 25 of the consolidated financial statements.

12. Related parties

Related party income and expenditure comprise dividends receivable from its subsidiary undertaking, Van Elle Limited, and adjustments for group relief. No other income or expenditure is recognised in the Company accounts and any costs incidental to its operation are borne by Van Elle Limited. The remuneration of the Board, who are the key management personnel of the Company and therefore related parties of the Group, is set out in the remuneration report on page 50.

The Company does not maintain a separate bank account and instead maintains an intercompany balance with its subsidiary undertaking in respect of internal funding. The amount outstanding from Van Elle Limited at 30 April 2019 was £4,035,000 (2018: £6,675,000).

Shareholder information

Annual General Meeting
The Annual General Meeting ("AGM") will be held on 12 September 2019 at Eversheds Sutherland (International) LLP, One Wood Street, London EC2V 7WS.

Shareholders will be asked to approve the Directors' remuneration report and the re-election of all the Directors. Shareholders will also be asked to receive and adopt the accounts of the Company for the year ended 30 April 2019, together with the reports of the Directors and of the auditor thereon, to reappoint the auditor of the Company (and authorise the Directors to approve the remuneration of the auditor) and to declare a final dividend for the year.

Share price information/performance
Latest share price is available at www.van-elle.co.uk/investors. By selecting share price information under the investor information section, shareholders can check the value of their shareholding online or review share charts illustrating annual share price performance trends.

Shareholders can download copies of our annual report and accounts from www.van-elle.co.uk/investors.

Electronic communications
You can elect to receive shareholder communications electronically by signing up to Link's portfolio service. This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent a notification to say when shareholder communications are available on our website and you will be provided with a link to that information.

Enquiries on shareholdings
Any administrative enquiries relating to shareholdings in Van Elle Holdings plc, such as dividend payment instructions or a change of address, should be notified direct to the registrar, Link Asset Services, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Your correspondence should state Van Elle Holdings plc and the registered name and address of the shareholder.

Corporate information

Registered office and advisers

Directors
Adrian Barden (Non-Executive Chairman)

Mark Cutler (Chief Executive Officer) (appointed 2 October 2018)

Jon Fenton (Chief Executive Officer) (resigned 18 May 2018)

Paul Pearson (Chief Financial Officer)

Robin Williams (Senior Independent Director)

David Hurcomb (Non-Executive Director)

Group Company Secretary
Paul Pearson

Registered office
Southwell Lane Industrial Estate
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NG17 8GJ

Company registered number
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Nominated adviser and broker
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