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Van Elle Holdings PLC
16 January 2019

Van Elle Holdings plc

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Interim results for the six months ended 31 October 2018

Van Elle Holdings plc ("Van Elle", the "Company" or the "Group"), the leading geotechnical engineering company offering a wide range of ground engineering techniques and services to customers in a variety of UK construction end markets, announces its interim results for the six months ended 31 October 2018.

Highlights

	6 months ended 31 Oct 2018	6 months ended 31 Oct 2017	Growth %
Revenue (£m)	**42.9**	52.6	(18.4)
Underlying* EBITDA (£m)	**5.2**	8.4	(38.1)
Reported EBITDA (£m)	**4.8**	8.3	(42.2)
Underlying* operating profit (£m)	**3.0**	5.7	(47.4)
Reported operating profit (£m)	**2.6**	5.6	(53.6)
Underlying* profit before taxation (£m)	**2.8**	5.4	(48.1)
Reported profit before taxation (£m)	**2.4**	5.3	(54.7)
Underlying* earnings per share (p)	**2.8**	5.4	(48.2)
Reported earnings per share (p)	**2.4**	5.3	(54.7)
Dividend per share (p)	**1.0**	1.4	
Operating cash conversion **(%)	**100.3%**	86.9%	
Return on capital employed*** (%)	**6.4%**	25.8%	

** before share-based payments and exceptional costs*

*** defined as cash generated from operations divided by EBITDA less profit on sale of fixed assets*

**** Return on capital employed calculated as underlying operating profit over net assets less cash and excluding loans and borrowings*

Summary highlights

- Trading in H1 was in line with revised expectations at £42.9m (H1 2018: £52.6m) and reflected the quiet first quarter
- Underlying operating profit reduced 47.4% to £3.0m (H1 2018: £5.7m), largely reflecting lower overhead recovery despite gross margins improving slightly to 32.8% (H1 2018: 31.7%)
- The new CEO, Mark Cutler, joined in August 2018 and has implemented a full review of the business as part of a three-phase transformation programme. Steps already taken include:
    - simplification of the divisional structure and associated overhead improvements
    - strategic customer engagement
    - initial improvements to operational project delivery and work winning performance
    - initial strengthening of the leadership team with two key senior appointments, being John Foster as Commercial Director and Peter Handley as Business Improvement Director
- Good cash performance with net debt of £5.6m (H1 2018: £4.6m) reduced from the year end position, (FY 2018: £5.9m)
- An interim dividend of 1.0 pence per share (H1 2018: 1.4 pence per share), reflecting first half performance and outlook for the Group

Current trading and outlook

- Contract margin performance in the General Piling division during the third quarter has been weaker than anticipated:
    - The causes have been identified and action taken to resolve the issues, including a change of divisional management
    - Poor profitability in Q3 but expected to return to normal margin levels by the start of Q4
- The Company saw strong demand for its Specialist Services division over the Christmas period, particularly in the rail sector, however several contracts across the Group have had contract start dates delayed in December and January
    - The Orderbook at the start of January 2019 is at similar levels to last year and, based on current enquiry levels and order conversion rates, the Board continues to expect Q4 activity to be strong;
    - In light of the delays to contract start dates experienced in Q3, the Board has re-assessed workload forecasts for H2 and believes it is prudent to reduce its revenue expectation for the current year
- Despite these setbacks in Q3, the Board continues to expect the Group to deliver a stronger performance in H2 than H1 albeit for the reasons set out above, this will still result in a full year performance significantly below its previous expectations
- Longer term the board remains positive regarding sustainable, profitable growth.

Mark Cutler, Chief Executive, commented:

"First half results were in line with our revised expectations and reflected the improved performance in the second quarter after a quiet start to the year.

"This is a transitional year for the business and since my arrival in August 2018, I have been undertaking a full review of the business. As part of this process I have been taking action to refine the Group's commercial approach, streamline operations, strengthen the leadership team and re-focus on our key customers. This is already creating a strong platform from which to pursue our growth strategy.

"The third quarter has been more challenging than we anticipated, with a disappointing performance in General Piling and several project delays. As a result and despite good momentum being carried in from the first half, we don't believe we will be able to deliver the significant step up in performance during the second half that we anticipated at the time of our trading statement in December 2018.

"These challenges have been frustrating, but it is pleasing to see outlook for the final quarter remaining robust and with a strong pipeline of target projects providing good forward visibility.

"Whilst we are mindful of the wider market environment, we are confident that the initiatives we are taking will develop a strong platform for future strong, profitable growth."

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This announcement contains inside information that qualified, or may have qualified, as inside information for the purposes of Article 17 of the Market Abuse Regulation (EU) 596/2014 (MAR). For the purposes of MAR and Article 2 of commission Implementing Regulation (EU) 2016/1055, this announcement is made by Paul Pearson, Chief Financial Officer, for Van Elle Holdings plc.

Van Elle Holdings plc - Interim Report to 31 October 2018

Strategic overview

This is a transitional year for the business, in which we expect to increase resilience to external market factors affecting the wider sector, while transforming business performance and setting the platform for future growth under a new CEO and strengthened leadership team.

The Group remains a leader in the UK geotechnical engineering services market and our strategy is continues to be focused on:

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.

Since joining the Group, Mark has reviewed the business in detail and identified opportunities to enhance performance both in terms of operational performance and commercial development. A transformation plan has been initiated and, whilst this is in its early stages, a range of immediate actions have already been undertaken, supported by key senior management appointments to help deliver these improvements. The initial actions undertaken include:

- Streamlining of the divisional structure;
- Strategic customer engagement;
- Re-focused work winning approach and replacement business development team; and
- Operational performance review and introduction of strengthened commercial processes.

These actions are aimed at improving the Group's commercial effectiveness by bringing it closer to key customers and enabling it to target more actively and selectively, new opportunities. This is already beginning to generate opportunities and the Group has a strong pipeline of target opportunities, particularly larger projects with an increasingly strategic customer base which integrate several of its specialist capabilities and enable early involvement. Alongside this, the Group has strengthened senior leadership team with the appointment of John Foster as Commercial Director and Peter Handley as Business Improvement Director.

Strengthened commercial processes should support consistent contract margin delivery and the streamlined divisional structure is expected reduce unnecessary complexity in the Group as well as reducing overhead costs. A charge of £0.3m in respect of these actions has been incurred in the first half. Further efficiency and cost reduction initiatives will be rolled out over the second half, including consolidation of the Group's two largest operations into a single site. The early signs from the transformation plan have been encouraging and the Board believes more significant performance benefits should begin to be realised for FY 2020, including annualised cost savings of over £1.0m.

The first half also saw a planned slowdown in rig fleet expansion with capital expenditure of £0.6m (H1 2018: £2.7m). Investment in fixed assets over the last three and a half years now stands at over £38m and we continue to believe that this has positioned Van Elle with the broadest and most modern range of specialist piling rigs in the UK market. After five rig disposals, our fleet now consists of 119 rigs.

Whilst there remains significant scope to improve performance, we will continue to consider niche, bolt-on acquisition opportunities where appropriate, balanced with a clearer view of selective future plant investment to support organic growth in key markets. We believe that our strong financial position will enable us to act swiftly where we feel an opportunity will bring value to the Group.

Trading review in the period

As set out in our trading update of 10 December 2018, the first quarter of the current year was relatively quiet as a result of subdued UK market conditions following a challenging period for the UK construction markets in early 2018. Market conditions were more supportive in the second quarter and the Group saw a progressive improvement in performance during the latter part of the first half. As a result, for the six months ended 31 October 2018, revenue decreased by 18.4% to £42.9m (H1 2018: £52.6m), against a strong comparative period in the previous. In terms of end market performance, sales to the housebuilding sector continue to make up the majority of Group revenues at 50.8% (H1 2018: 50.0%) but decreased in the period by 17.1% to £21.8m (H1 2018: £26.3m). Infrastructure sector sales also decreased, by 22.8%, to £12.2m (H1 2018: £15.8m) with sales to the Commercial & Industrial sector increasing slightly to £8.3m (H1 2018: £8.2m).

Despite the subdued market conditions, the gross margin increased in the period to 32.8% (H1 2018:31.7%). This improvement reflected several strong contract completions in the Specialist Piling division during the first half as compared to the adverse impact of poor commercial parameters on two electrification contracts undertaken in the comparative period. Additionally, gross margin has also been enhanced this year following a review and revision to asset lives and residual values for plant and machinery depreciation rates which is reported in cost of sales.

As a result of the reduced activity, particularly the resulting impact on utilisation of larger rigs in the General and Specialist Piling divisions, underlying operating profit decreased by 47.4% to £3.0m (H1 2018: £5.7m), representing an underlying operating margin of 7.1%. Underlying profit before tax was £2.8m, a decrease of 48.1% on the same period last year (H1 2018: £5.4m) and underlying earnings per share were 2.8p, a decrease of 48.1% on the prior year (H1 2018: 5.4p).

The first half of this year generated operating cash flows of £4.8m (H1 2018: £7.1m) representing an operating cash conversion* of 100.3% (H1 2018: 86.9%). Net assets have increased by 5.6% to £41.5m (31 October 2017: £39.2m). The good cash performance has contributed to a reduction in net debt in the first half to £5.6m at 31 October 2018, compared to £5.9m at 30 April 2018,

* *defined as cash generated from operations divided by EBITDA less profit on sale of fixed assets*

Operating performance in the period

General Piling

The General Piling division has suffered the most from the challenging market conditions, with new housing sector revenues down 23% and infrastructure down 42% on prior year. The subdued markets have resulted in low utilisation of our large diameter piling rigs that not only supressed revenue, but also impacted on gross margin performance as these techniques command higher gross margins. As a result, divisional revenues have fallen £5.5m (24%) against the comparative period last year, resulting in operating profit of £0.4m (H1 2018: £3.5m).

Specialist Piling

Specialist Piling generated revenue of £12.8m (H1 2018: £14.1m) a decrease of 9% compared to the same period last year. Rail turnover was marginally up on prior year, with low rig utilisation in the Specialist Piling operating unit accountable for the decrease as a result of a quiet first quarter in infrastructure work. Operating margin has however increased to 16.7%, (H1 2018: 7.7%), primarily from several strong contract completions in the Rail operating unit in H1 2019, and conversely, an erosion in margins in the prior year, resulting from poor commercial performance on two electrification contracts.

Ground Engineering Services

In Ground Engineering Services, revenues are down 28% to £6.3m (H1 2018: £8.7m). Following the streamlining of the operational structure, ground stabilisation work will now be performed by the Specialist Piling division and contract bidding is done on a much more selective basis to minimise potential risk inherent in lump sum contracts. In H1, revenues are down in ground stabilisation work and Geotechnical has had a slow first half of the year with Scotland faring better with revenues relatively flat on the comparative period. Consequently, operating margin for H1 2019 was down to 1.5% (H1 2018 4.5%).

Ground Engineering Products

In Ground Engineering Products, demand for the Group's proprietary Smartfoot© foundation system continues, albeit revenues of £6.5m this half year are down 5.8% (H1 2018 £6.9m) reflecting the quiet Q1 seen in housebuilding, with operating margins at 6.6% (H1 2018 9.8%). The in-house manufacturing facilities have marginally increased production levels on a like for like basis, with some pre-cast pile products having been sold to the external market.

Board news

This year is an important one of transition for the Group, with our new CEO Mark Cutler, having joined the Board in August 2018 following the retirement of Jon Fenton in May 2018 (and the intervening period with Steve Prendergast as interim CEO).

Dividend

Being cognisant of the first half performance, greater second half weighting of profits and with confidence in the long-term prospects of the Group, the Board is declaring an interim dividend of 1.0 pence per share (H1 2018: 1.4 pence per share). The interim dividend will be paid on 6 March 2019 to shareholders on the register on 15 February 2019. The shares will trade ex-dividend on 14 February 2019.

Current trading and outlook

Whilst enquiry and order conversion rates have remained encouraging, performance in Q3 to date has been below the Board's expectations.

Performance in the General Piling division in Q3 has been below anticipated profit levels. A detailed review of this division has identified operational and commercial shortcomings which have resulted in the Group undertaking several contracts which are expected to deliver poor margins. Decisive action has been taken including the appointment of new divisional leadership, and the underperforming contracts are now largely complete. The issues in Q3 are expected to have an adverse profit impact on the Group, but margin performance in the division is expected to return to forecast levels by the start of Q4.

In addition, whilst Van Elle saw strong demand in its Specialist Services division over the Christmas period, particularly in the rail sector, a number of contracts across the Group have had start dates delayed in December and early January. As a result the Board has re-assessed workload forecast for H2 and considers that it would be prudent to reduce its full year revenue expectations.

As a result of the above, although the Board expects the Group to deliver a stronger performance in H2 than H1, it also expects the full year performance to be significantly below previous expectations.

Whilst these setbacks in Q3 have been disappointing, the orderbook at the beginning of January 2019 (which is at a similar level to January 2018), current enquiry levels and order conversion rates are encouraging. The Board continues to monitor market conditions closely, but is optimistic about the Group's prospects for Q4. The Board continues to believe that the long-term opportunities for profitable growth for the Group remain significant.

Consolidated statement of comprehensive income

For the 6 months ended 31 October 2018

	Note	6 months to 31 Oct 2018 (unaudited) £'000	6 months to 31 Oct 2017 (unaudited) £'000	12 months to 30 Apr 2018 (audited) £'000
Revenue	2	**42,921**	52,642	103,872
Cost of sales		**(28,841)**	(35,965)	(69,480)
Gross profit		**14,080**	16,677	34,392
Administrative expenses		**(11,042)**	(11,013)	(23,295)
Operating profit before exceptional costs and share-based payment expense		**3,038**	5,664	11,097
Share-based payment expense	3	**(80)**	(80)	(148)
Carillion bad debt write-off	3	**-**	-	(956)
Exceptional costs	3	**(331)**	-	(283)
Operating profit		**2,627**	5,584	9,710
Finance expense		**(297)**	(268)	(561)
Finance income		**25**	9	25
Profit before tax		**2,355**	5,325	9,174
Income tax expense		**(471)**	(1,081)	(1,835)
Total comprehensive income for the year		**1,884**	4,244	7,339

Earnings per share (pence)

Basic	4	**2.4**	5.3	9.2
Diluted	4	**2.4**	5.3	9.2
Underlying earnings per share (pence)				
Basic	4	**2.8**	5.4	10.6
Diluted	4	**2.8**	5.4	10.6

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

Consolidated statement of financial position

As at 31 October 2018

	31 Oct 2018 (unaudited) £'000	31 Oct 2017 (unaudited) £'000	30 Apr 2018 (audited) £'000
Non-current assets			
Property, plant and equipment	**39,038**	37,369	39,502
Intangible assets	**2,303**	2,318	2,324
	41,341	39,687	41,826
Current assets			
Inventories	**2,372**	2,450	2,565
Trade and other receivables	**19,946**	21,049	22,225
Cash and cash equivalents	**9,384**	12,042	10,880
	31,702	35,541	35,670
Total assets	**73,043**	75,228	77,496
Current liabilities			
Trade and other payables	**14,830**	17,248	17,353
Loans and borrowings	**5,071**	5,422	5,580
Corporation tax payable	**438**	1,067	753
	20,339	23,737	23,686
Non-current liabilities			
Loans and borrowings	**9,945**	11,206	11,205
Provisions	**253**	342	270
Deferred tax	**1,016**	778	969
	11,214	12,326	12,444
Total liabilities	**31,553**	36,063	36,130
Net assets	**41,490**	39,165	41,366
Equity			
Share capital	**1,600**	1,600	1,600
Share premium	**8,633**	8,633	8,633
Retained earnings	**31,239**	28,914	31,115
Non-controlling interest	**18**	18	18
Total equity	**41,490**	39,165	41,366

The unaudited interim consolidated statement was approved by the Board of Directors on 15 January 2019.

Consolidated statement of cash flows

For the 6 months ended 31 October 2018

	Note	6 months to 31 Oct 2018 (unaudited) £'000	6 months to 31 Oct 2017 (unaudited) £'000	12 months to 30 Apr 2018 (audited) £'000
Cash flows from operating activities				

Cash generated from operations	5	**4,786**	7,111	13,244
Interest received		**25**	9	25
Interest paid		**(297)**	(268)	(561)
Income tax paid		**(740)**	(892)	(1,768)
Net cash generated from operating activities		**3,774**	5,960	10,940
Cash flows from investing activities				
Purchases of property, plant and equipment		**(735)**	(2,967)	(5,053)
Disposal of property, plant and equipment		**323**	230	321
Net cash absorbed in investing activities		**(412)**	(2,737)	(4,732)
Cash flows from financing activities				
Repayment of bank borrowings		**(75)**	(75)	(150)
Repayments of Invest to Grow loan		**(47)**	(48)	(95)
Payments to finance lease creditors		**(2,896)**	(2,516)	(5,421)
Dividends paid		**(1,840)**	(1,400)	(2,520)
Net cash absorbed in financing activities		**(4,858)**	(4,039)	(8,186)
Net decrease in cash and cash equivalents		**(1,496)**	(816)	(1,978)
Cash and cash equivalents at beginning of period		**10,880**	12,858	12,858
Cash and cash equivalents at end of period	6	**9,384**	12,042	10,880

Consolidated statement of changes in equity

For the 6 months ended 31 October 2018

	Share capital £'000	Share premium £'000	Non-controlling interest £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2017 (audited)	1,600	8,633	18	26,070	36,321
Total comprehensive income	-	-	-	4,244	4,244
Dividend payment	-	-	-	(1,400)	(1,400)
	-	-	-	2,844	2,844
Balance at 31 October 2017 (unaudited)	**1,600**	**8,633**	**18**	**28,914**	**39,165**
Total comprehensive income	-	-	-	3,096	3,096
Share-based payment expense	-	-	-	225	225
Dividend payment	-	-	-	(1,120)	(1,120)
	-	-	-	2,201	2,201
Balance at 30 April 2018 (audited)	**1,600**	**8,633**	**18**	**31,115**	**41,366**
Total comprehensive income	-	-	-	1,884	1,884
Share-based payment expense	-	-	-	80	80
Dividend payment	-	-	-	(1,840)	(1,840)
	-	-	-	124	124
Balance at 31 October 2018 (unaudited)	**1,600**	**8,633**	**18**	**31,239**	**41,490**

Notes to the interim results

For the 6 months ended 31 October 2018

1. Basis of preparation

The unaudited interim consolidated statement of Van Elle Holdings plc is for the six months ended 31 October 2018 and do not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006. These consolidated financial statements have been prepared in compliance with the recognition and measurement requirement of International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) as adopted by the EU. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the group's annual report. The unaudited interim consolidated statement has been prepared in accordance with the accounting policies that are expected to be applied in the report and accounts for the year ending 30 April 2019.

The comparative figures for the year ended 30 April 2018 do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, but they have been derived from the audited financial statements for that year, which have been filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006 not a reference to any matters which the auditor drew attention by way of emphasis of matter without qualifying their report.

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 could potentially impact 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 historic 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 31 October 2018 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.

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,	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 assets; and	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.

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.

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.

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

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.

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 historic 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.
- 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.

The only significant change, which could result in a transitional adjustment, 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.

FY2018 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	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 principle-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	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

date as a percentage of the total expected costs. 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	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. **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. interpretive 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 obligations is recognised over time because each pile enhances an	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.

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.	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 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.	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.
	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.

IFRS 16 Leases

IFRS 16, as adopted by the European Union, becomes effective for accounting periods beginning on or after 1 January 2019.

Adoption of IFRS 16 Leases 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 Directors are performing a detailed analysis of the impact of adopting IFRS 16, as well as considering whether to adopt a full retrospective or a modified retrospective approach. This will be concluded prior to the end of FY2019 and the impact, both on the primary financial statements and on key performance indicators, will be disclosed in the financial statements for the year ended 30 April 2019.

Functional currency

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

Accounting for fixed assets

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 12 years, 8 years or 3-5 years respectively. Under the old accounting policy, a residual value was not applied to the carrying value and deprecation was calculated over an expected useful life of 10 years. The change has been applied prospectively and there has been no restatement of prior periods.

This change in estimates has reduced the depreciation charge reported for H1 FY 2019 and forecast for FY2019 as follows:

	H1 FY 2019	**FY2019 (forecast)**
Using old depreciation rates	£2,685k	£5,369k
As reported	£2,131k	£4,262k
Variation	**£(554)**	**£(1,107)**

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 10 year period will, in future, be recognised as an expenses 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. In H1 FY2019 this change resulted in a charge of £48,000 to the Income Statement that would have previously been capitalised.

2. 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. Traditionally the second half of the year is stronger in turnover and operating performance than the first half of the year with work undertaken by the

Specialist Piling division during the statutory holiday periods of Christmas and Easter. Loans and borrowings, insurances and head office central services' costs are allocated to the segments based on levels of turnover. All turnover and operations are based in the UK.

Operating segments - 6 months to 31 October 2018

	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Ground Engineering Products £'000	Head Office £'000	Total £'000
Revenue						
Total revenue	19,009	12,752	6,902	7,892	-	46,555
Inter-segment revenue	(1,646)	-	(613)	(1,375)	-	(3,634)
Revenue	17,363	12,752	6,289	6,517		42,921
Operating profit						
Underlying operating profit	391	2,125	95	427	-	3,038
Share-based payments	-	-	-	-	(80)	(80)
Exceptional item	-	-	-	-	(331)	(331)
Operating profit	391	2,125	95	427	(411)	2,627
Finance expense	-	-	-	-	(297)	(297)
Finance income	-	-	-	-	25	25
Profit before tax	391	2,125	95	427	(683)	2,355
Assets						
Property, plant & equipment	12,442	12,458	3,073	1,850	9,215	39,038
Inventories	415	415	116	1,426	-	2,372
Reportable segment assets	12,857	12,873	3,189	3,276	9,215	41,410
Intangible assets	-	-	-	-	2,303	2,303
Trade and other receivables	-	-	-	-	19,946	19,946
Cash and cash equivalents	-	-	-	-	9,384	9,384
Total assets	12,857	12,873	3,189	3,276	40,848	73,043
Liabilities						
Loans and borrowings	-	-	-	-	15,016	15,016
Trade and other payables	-	-	-	-	15,268	15,268
Provisions	-	-	-	-	253	253
Deferred tax	-	-	-	-	1,016	1,016
Total liabilities	-	-	-	-	31,553	31,553
Other information						
Capital expenditure	113	367	85	1,062	359	1,986
Depreciation / amortisation	974	757	226	198	-	2,155

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

Operating segments - 6 months to 31 October 2017

	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Ground Engineering Products £'000	Head Office £'000	Total £'000
Revenue						
Total revenue	24,426	14,237	9,313	8,417	-	56,393
Inter-segment revenue	(1,562)	(93)	(568)	(1,528)	-	(3,751)
Revenue	22,864	14,144	8,745	6,889	-	52,642
Operating profit						
Underlying operating profit	3,495	1,096	396	677	-	5,664
Share-based payments	-	-	-	-	(80)	(80)
Exceptional item	-	-	-	-	-	-
Operating profit	3,495	1,096	396	677	(80)	5,584
Finance expense	-	-	-	-	(268)	(268)
Finance income	-	-	-	-	9	9

Profit before tax	3,495	1,096	396	677	(339)	5,325
Assets						
Property, plant & equipment	13,383	10,499	3,953	1,299	8,235	37,369
Inventories	347	403	222	1,478	-	2,450
Reportable segment assets	13,730	10,902	4,175	2,777	8,235	39,819
Intangible assets	-	-	-	-	2,318	2,318
Trade and other receivables	-	-	-	-	21,049	21,049
Cash and cash equivalents	-	-	-	-	12,042	12,042
Total assets	13,730	10,902	4,175	2,777	43,644	75,228
Liabilities						
Loans and borrowings	-	-	-	-	16,628	16,628
Trade and other payables	-	-	-	-	18,315	18,315
Provisions	-	-	-	-	342	342
Deferred tax	-	-	-	-	778	778
Total liabilities	-	-	-	-	36,063	36,063
Other information						
Capital expenditure	3,854	1,807	1,425	104	198	7,388
Depreciation / amortisation	1,087	1,088	384	181	-	2,740

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

Operating segments - 12 months to 30 April 2018

	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Ground Engineering Products £'000	Head Office £'000	Total £'000
Revenue						
Total revenue	46,066	30,299	18,677	16,384	-	111,426
Inter-segment revenue	(2,942)	(412)	(1,175)	(3,025)	-	(7,554)
Revenue	43,124	29,887	17,502	13,359	-	103,872
Operating profit						
Underlying operating profit	5,693	4,073	306	1,025	-	11,097
Share-based payments	-	-	-	-	(148)	(148)
Exceptional item	-	(956)	-	-	(283)	(1,239)
Operating profit	5,693	3,117	306	1,025	(431)	9,710
Finance expense	-	-	-	-	(561)	(561)
Finance income	-	-	-	-	25	25
Profit before tax	5,693	3,117	306	1,025	(967)	9,174
Assets						
Property, plant & equipment	13,513	10,218	4,163	2,913	8,695	39,502
Inventories	297	420	156	1,693	-	2,566
Reportable segment assets	13,810	10,638	4,319	4,606	8,695	42,068
Intangible assets	-	-	-	-	2,324	2,324
Trade and other receivables	-	-	-	-	22,225	22,225
Cash and cash equivalents	-	-	-	-	10,880	10,880
Total assets	13,810	10,638	4,319	4,606	44,124	77,497
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	5,059	2,636	2,070	1,782	1,603	13,150
Depreciation / amortisation	2,002	2,114	685	242	662	5,705

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

3. Exceptional costs

	6 months to 31 Oct 2018 (unaudited) £'000	6 months to 31 Oct 2017 (unaudited) £'000	12 months to 30 Apr 2018 (audited) £'000
Exceptional costs	**331**	**-**	1,239

Exceptional costs for the 6 months to 31 October 2018 are for restructuring costs as a result of consolidating the divisional structure.

The prior year other exceptional items relate to costs associated with an EGM held on 1 December 2017, due diligence fees for an aborted acquisition and a £956,000 Carillion bad debt write off.

4. Earnings per share

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

	6 months to 31 Oct 2018 (unaudited) '000	6 months to 31 Oct 2017 (unaudited) '000	12 months to 30 Apr 2018 (audited) '000
Basic weighted average number of shares	**80,000**	80,000	80,000
Dilutive potential ordinary shares from share options	**-**	-	-
Diluted weighted average number of shares	**80,000**	80,000	80,000
	£'000	£'000	£'000
Profit for the period/year	**1,884**	4,244	7,339
Add back / (deduct):			
Share-based payments	**80**	80	148
Exceptional costs	**331**	-	1,239
Tax effect of the above	**(63)**	-	(210)
Underlying profit for the year	**2,232**	4,324	8,516
	Pence	Pence	Pence
Earnings per share			
Basic	**2.4**	5.3	9.2
Diluted	**2.4**	5.3	9.2
Basic - excluding exceptional costs and share-based payments	**2.8**	5.4	10.6
Diluted - excluding exceptional costs and share-based payments	**2.8**	5.4	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 (6 months ended 31 Oct 2017: 80,000,000 and 12 months ended 30 Apr 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.

There is no dilutive effect of the share options as performance conditions remain unsatisfied and the share price was below the exercise price.

5. **Cash generated from operations**

	6 months to 31 Oct 2018 (unaudited) £'000	6 months to 31 Oct 2017 (unaudited) £'000	12 months to 30 Apr 2018 (audited) £'000
Operating profit	**2,627**	5,584	9,710
Adjustments for:			
Depreciation of property, plant and equipment	**2,131**	2,716	5,705
Amortisation of intangible assets	**24**	24	44
Profit on disposal of property, plant and equipment	**(8)**	(221)	(267)
Share-based payment expense	**80**	80	225
Operating cash flows before movement in working capital	**4,854**	8,183	15,417
Decrease/(Increase) in inventories	**193**	(27)	(142)
Decrease/(Increase) in trade and other receivables	**2,279**	(2,332)	(3,429)
(Decrease)/Increase in trade and other payables	**(2,523)**	1,287	1,470
Decrease in provisions	**(17)**	-	(72)
Cash generated from operations	**4,786**	7,111	13,244

6. **Analysis of cash and cash equivalents and reconciliation to net debt**

	31 Oct 2018 (unaudited) £'000	31 Oct 2017 (unaudited) £'000	30 Apr 2018 (audited) £'000
Cash at bank	**9,340**	11,992	10,832
Cash in hand	**44**	50	48
Cash and cash equivalents	**9,384**	12,042	10,880
Bank loans secured	**(1,050)**	(1,200)	(1,125)
Other loans secured	**(62)**	(157)	(110)
Finance leases	**(13,902)**	(15,271)	(15,550)
Net debt	**(5,630)**	(4,586)	(5,905)

INDEPENDENT REVIEW REPORT TO VAN ELLE HOLDINGS PLC

Introduction

We have been engaged by the company to review the unaudited interim consolidated statement in the half-yearly financial report for the six months ended 31 October 2018 which comprises 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 and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited interim consolidated statement.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the unaudited interim consolidated statement in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unaudited interim consolidated statement in the half-yearly financial report for the six months ended 31 October 2018 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP

Chartered Accountants

Nottingham

15 January 2019

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

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