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Van Elle Holdings PLC
22 January 2020

Van Elle Holdings plc

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Interim results for the six months ended 31 October 2019

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 2019.

Highlights

	6 months ended 31 Oct 2019	6 months ended 31 Oct 2018	Change %
Revenue (£m)	**48.5**	42.9	13.1
Underlying* EBITDA (£m)	**3.7**	5.2	(28.8)
Reported EBITDA (£m)	**3.5**	4.8	(27.1)
Underlying* operating profit (£m)	**1.5**	3.0	(50.0)
Reported operating profit (£m)	**1.2**	2.6	(53.8)
Underlying* profit before taxation (£m)	**1.1**	2.8	(60.7)
Reported profit before taxation (£m)	**0.9**	2.4	(62.5)
Underlying* earnings per share (p)	**1.2**	2.8	(57.1)
Reported earnings per share (p)	**0.9**	2.4	(62.5)
Dividend per share (p)	**0.2**	1.0	(80.0)
Operating cash conversion **(%)	**41.8%**	100.3%	
Return on capital employed*** (%)	**2.8%**	6.4%	

** 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 divided by net assets less cash and excluding loans and borrowings*

The October 2019 results are not directly comparable to the previous periods as a result of the adoption of IFRS 16. The impact on the results is not considered to be material and is explained in note 1

Summary highlights

- Despite a challenging market backdrop, the benefit of self-help initiatives and revenue growth resulted in an improving performance as the half progressed

- Revenue grew by 13.1% to £48.5m (H1 2019: £42.9m), reflecting growth in the housing and highways markets, contrasted with subdued conditions in commercial and rail markets

- Underlying PBT reduced to £1.1m (H1 2019: £2.8m), reflecting a weak first quarter and adverse sales mix across the period

- Progress against the previously announced transformation programme remains on track, with phase 1 now substantially complete:

    - Simplified divisional structure implemented with each under new, strengthened leadership;
    - All operations now based at a single site in Kirkby in Ashfield;
    - Positive developments with strategic customer engagement and development of bid pipelines;
    - Operational performance stabilised, with a continued focus on margin improvement;
    - Ongoing investment in the development of new products and services to diversify capabilities

- Cash performance was affected by some long running final accounts, but net debt is manageable at £10.4m (H1 2019: £5.6m) after adjustment for adoption of IFRS16

- Due to subdued profitability in the first half the Board is recommending a reduced interim dividend of 0.2 pence per share (FY2019: 1.0 pence)

- The Group's new Chief Financial Officer, Graeme Campbell, joins Van Elle from Severfield plc on 17 February 2020

Mark Cutler, Chief Executive, commented:

"The business continues to improve and, despite challenging market conditions through the first half, we have made progress. We have a clear strategy focused on three core markets - housing, infrastructure and regional construction - where we offer a broad range of end-to-end technical capabilities through our extensive and well-invested rig fleet. Good progress continues to be made in building long term and strategic relationships with our key customers in all sectors.

"Operational performance is stable with previous challenges now substantially addressed. The simplified divisional structure with motivated, co-located teams under strengthened leadership means that we are more efficient and joined-up. This allows us to focus even more intently on customer service, operational excellence, margin improvement and cash generation.

"Whilst mindful of ongoing volatility across construction markets and recognising a slower Q3 than previous years due to subdued rail activity, the Board expects some market improvement and further progress in the balance of the second half. This is also supported by the benefits of ongoing improvements under the Group's transformation programme. Consequently, the Board expects to deliver results for the full year within the range of market expectations."

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Van Elle Holdings plc - Interim Report to 31 October 2019

Strategic overview

Van Elle continues to be in transition, following a plan focused on improving the performance of the business through a range of organisational, commercial and operational actions whilst also putting in place the building blocks of future sustainable growth in line with our updated strategy.

Good progress is being made in delivery of the three-phase transformation programme and early benefits are starting to be evidenced despite the challenging market conditions that have prevailed though FY2019 and the first half of FY2020.

Phase one of the three-phase transformation programme is now substantially complete, with highlights including:

- The restructuring of the business divisions is substantially complete with several key managerial changes made during the period aimed at improving the leadership capability and acting on areas of identified efficiency opportunity.

- The rationalisation of multiple offices into a single open plan site in Kirkby was completed in the first quarter. This has improved internal communications and facilitated greater efficiency of information flow and back office support.

- The bidding process and governance has been strengthened alongside a programme of more intensive customer engagement. This continues to deliver a strong order book despite increased levels of competition in a market which remains volatile.

- Further commercial appointments have been made to strengthen the divisional capabilities.

- Operational performance is satisfactory and, in particular, the issues faced last year in the General Piling business have been addressed. Across the Group, consistency of delivery has been enhanced through the roll-out of the Perfect Delivery programme which applies lessons learned from past performance to focus on operational excellence and customer satisfaction.

- Efficiency savings are continuously targeted through process improvement and a streamlining of overhead structures as appropriate, without inhibiting our capacity to grow. A cost reduction programme is focused on waste reduction and synergies across the business.

- Investment in new products and services, both enhancements to existing core capabilities and the development of new specialist techniques and services continues through an active innovation programme.

- Best practice forums, corporate learning, training programmes and employee engagement programmes all continue to improve operational efficiency.

In the second half of the financial year, the focus will remain on further embedding these internal improvements and continuing to develop the foundations for expected growth. The Board expects some modest improvement in market conditions in the second half which should support continued positive momentum, building on the progress seen in the first half.

Trading review

For the six months ended 31 October 2019, revenue increased by 13.1% £48.5m (H1 2019: £42.9m). Sales were segmented to our end markets as follows: Residential 51.3% (H1 2019: 50.8%), Infrastructure 25.9% (H1 2019: 28.2%) and Regional Construction 22.5% (H1 2019: 19.7%).

As previously reported, trading activity in the first quarter was relatively subdued and below prior year levels as a result of weak contractor confidence and continued project delays. The second quarter saw a promising upturn in overall activity as key projects were mobilised in certain segments of the UK construction market.

In terms of divisional performance, whilst General and Specialist Piling revenues were slightly down compared to the comparative period in the prior year, there has been significant growth within Ground Engineering Services, up approximately £7m to £17m; driven primarily by housing sector growth as a result of improved customer focus and closer relationships with national housebuilders which are seeking faster build times and integrated piling and foundation solutions.

In contrast the Group has seen increased competition in the regional construction market and subdued activity levels in the rail sector (as a result of delays to Network Rail's CP6 programme), impacting on several of the Group's higher margin activities.

Underlying Profit Before Tax was weaker at £1.1m (H1 2019: £2.8m), resulting from the impact on overhead recovery of lower revenues in the first quarter and the generally adverse sales mix across the first half, described above. The Group also completed two challenging contracts in the first quarter which suffered delay and additional costs and are subject to ongoing commercial resolution.

Despite increased levels of competition in a market which remains volatile, the Group's focus on bidding process and governance, alongside a programme of more intensive customer engagement continues to deliver a strong orderbook, which, adopting the more prudent basis previously advised, sits at £32.0m at the period end (FY 2019: £34.0m).

Working capital performance has been more challenging than in previous periods, primarily due to several projects awaiting final account resolution and some evidence of poor payment practice amongst a minority of our customers. Action has been taken to further strengthen customer risk assessment processes and strengthen the divisional commercial teams to address this. Whilst the Group doesn't envisage any material issues with receivable recovery, it has deemed it appropriate to take a further £150K provision against aged debtors.

The Group has continued to invest positively in the development of new and innovative products and services while maintaining a cautious rig investment programme. These include the development of a new operational capability for vibro stone columns ('vibro') targeted at the housing and industrial building sectors; the continued development of the Group's unique rail track bed stabilisation system; the wider application of the Smartfoot modular foundations system in housing, and several other specialist piling techniques that will support long term growth opportunities. In the period the cost of new property, plant and equipment (PPE) investment has been £2.3m and related development expenditure was £420K, the latter capitalised as intangible assets in accordance with IAS 38.

Whilst rig acquisition remains selective, management continues to appraise opportunities to increase its fleet on a strategic basis. In line with this approach, the Group acquired an additional new driven rig targeted at its housing sector operations, certain specialist assets at auction following the liquidation of rail competitor Aspin and two second hand vibro rigs in the period

Net debt at 31 October 2019 of £10.4m (H1 2019: £5.6m) includes £3.9m of lease liabilities arising from the adoption of IFRS16. The comparison of net debt is set out in note 7.

The Group's banking facilities are unchanged with a £2.5m unused overdraft facility in place with Lloyds. The Group also has a £900K business loan secured against freehold property which is due to be repaid by the end of 2020. This loan has been reclassified as repayable on demand due to a breach in the original covenants caused by low first half profitability. While the Board is satisfied that the Group continues to operate with sufficient cash reserves (and the cash position has improved further since the period end) in view of the more challenging working capital position and increased debtors, while focused on the objective to reduce net debt by year end, the Board have implemented more rigorous cash management disciplines and regularly reviews cashflow forecasts.

Operating performance in the period

General Piling

Revenue was marginally lower at £17.7m (H1 2019: £18.5m), primarily as a result of a subdued first quarter, reflecting delays to projects experienced at the end of FY 2019 and a single challenging contract on which the Group's entitlement is the subject of ongoing claims recovery. As the Group's largest division, the impact of the lower revenue in the early part of the year had a significant impact on overhead recovery and together with a weaker work mix, with reduced levels of rotary piling, contributed to a reduction in underlying operating profit of 51% to £227K (H1 2019: £465K).

Under new leadership since the beginning of the financial year, the division has continued the operational and work winning improvements outlined previously and progress was evident from Q1 into Q2 as a result. However, whilst volume levels were more encouraging, the division continues to experience a sub-optimal work mix with fewer higher margin rotary schemes and greater competition from major rivals than in prior years. Several of the smaller rigs have also been redeployed to the Housing division in order to take best advantage of the opportunities available to the Group.

Specialist Piling

The division, comprising the Specialist Piling and Rail business units saw revenue marginally reduced to £14.0m (H1 2019: £14.5m) although underlying operating profit was down 80% at 394K (H1 2019: £1.93m).

After continued delays in Q1 and a challenging contract now commercially resolved and which is subject to re-pricing for future phases, the Specialist Piling unit performed in line with expectations during the second quarter. The improvements as a result of successfully mobilised and commenced operations on several Smart Motorways projects, some of which will run for up to two years. The previously announced, more selective approach to ground stabilisation activity (and the closure of the former dedicated division) has been successfully implemented and continues to compliment the wider integrated range of services.

The Rail business unit has been heavily impacted throughout the period by delays to Network Rail's CP6 programme and the completion of some longer running CP5 projects, resulting in redeployment of personnel and restructuring including some redundancies. In parallel, the business has focussed intensively on customer key account development and preparations for growth in CP6 and has diversified slightly in order to increase resilience, including a more comprehensive sheet piling offer and development of its first track bed stabilisation opportunities in Ireland.

The rail sector is typically the Group's highest margin segment and so the impact of the very challenging market conditions in this sector during the first half have had a material adverse impact on divisional and Group profitability. However, Van Elle remains a clear market leader in these activities and the potential opportunities presented by the mobilisation of major investment programmes, including CP6 and HS2, are significant.

Ground Engineering Services

Revenue increased significantly to £16.9m (H1 2019: £9.9m) and underlying operating profit increased 24% to £804K (H1 2019: £647K)

Ground Engineering Services comprises the Housing division, including the Smartfoot modular foundation system and Strata, the Geotechnical division. Revenues have grown strongly driven by closer relationships with national housebuilders which are seeking faster build times and integrated piling and foundation solutions. This is a segment in which the Group continues to invest for the long term and in the period has diversified its services though the development of specialist vibro piling techniques and further developments to its precast concrete Smartfoot foundation system. Strata has also seen strong revenue growth driven primarily by ground investigation on major highways projects in which we are developing a strong reputation alongside our piling activity.

Market overview

Across the Infrastructure sector the Group experienced mixed fortunes in the period. In highways, the Group successfully mobilised several Smart Motorway projects where it enjoys a market leading position. In rail volumes were significantly down on the prior year as preparations for Network Rail's CP6 programme impacted workload across the market. Although some restructuring and redeployment has been necessary, the business is well positioned with a strong reputation and differentiated capabilities to be able to mobilise quickly once spending starts to accelerate as expected in the second half.

The regional construction market has been and remains highly competitive, but due to closer working relationships with our customers, including earlier engagement on projects, the Group has secured several good quality projects and has improved its execution compared to last year. The Group is not expecting a material improvement in regional markets in the second half, although some confidence is expected to return following the UK General Election result.

The residential market continues to offer growth opportunities to the Group, both in private housing and also larger scale residential and retirement sectors. The business has successfully diversified its offering in the period in order to take greater advantage of these opportunities and has redeployed resources internally to enable greater operational control as our customer base widens.

Board news

The Board is pleased to confirm that Graeme Campbell will take up the role of Chief Financial Officer on 17 February 2020, following the announcement of his appointment in September 2019. Graeme was previously Chief Financial Officer of ASX-listed engineering services company Engenco and joins Van Elle from Severfield plc.

Dividend

In view of the weak trading performance in the first half and the dependence on improved second half trading, the Board is declaring a reduced dividend of 0.2 pence per share (H1 2019: 1.0 pence) and will decide on the level of dividend for the year once the second half performance is known. The interim dividend will be paid on 27 March 2020 to shareholders on the register on 14 February 2020. The shares will be marked ex-dividend on 13 February 2020.

The board has become aware of a technical compliance irregularity concerning the final dividend for the year ended 30 April 2019 approved at the Company's annual general meeting on 12 September 2019. This is explained in note 1.

Current trading and outlook

Current activity levels and prospects in Housing and Highways remain positive, with further opportunities presented by the development investment made in the first half.

As expected, and in light of the subdued market activity levels during the delayed transition to the CP6 funding period, the Group undertook significantly less rail work over the Christmas period than in the prior year. Nevertheless, the Board does expect modest improvement to both the rail and commercial building markets as the second half progresses, which may be further bolstered in the event that CP6 rail spending accelerates and/or the HS2 project is given the go-ahead, although the timing of any such recovery remains uncertain.

The actions being taken by the management team under the Group's transformation programme to improve operational performance are yielding early benefits and these actions will continue in tandem with expected increased activity levels and improved work mix described above, in the second half and beyond.

Whilst mindful of the ongoing volatility across construction markets, the Board expects the Group to make further progress in the second half, supported by the benefits of ongoing improvements under the Group's transformation programme. Consequently, the Board expects to deliver results for the full year within the range of market expectations.

Consolidated statement of comprehensive income

	Note	6 months to 31 Oct 2019 (unaudited)	6 months to 31 Oct 2018 (unaudited)	12 months to 30 Apr 2019 (audited)
		£'000	£'000	£'000
Revenue	2	48,524	42,921	88,468
Cost of sales		(35,282)	(28,841)	(60,281)
Gross profit		(13,242)	14,080	28,187
Administrative expenses		(12,013)	(11,453)	(23,625)
Operating Profit		1,229	2,627	4,562
Operating profit before share-based payments and exceptional costs		1,455	3,038	5,244
Share based payments	5	(80)	(80)	(123)
Exceptional cost	4	(146)	(331)	(559)
Operating profit		1,229	2,627	4,562
Finance expense		(322)	(297)	(579)
Finance income		12	25	52
Profit before tax		919	2,355	4,035
Income tax expense		(175)	(471)	(823)
Total comprehensive income for the year		744	1,884	3,212
Earnings per share (pence)				
Basic	5	0.9	2.4	4.0
Diluted	5	0.9	2.4	4.0

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 2019

	31 Oct 2019 (unaudited) £'000	31 Oct 2018 (unaudited) £'000	30 Apr 2019 (audited) £'000
Non-current assets			
Property, plant and equipment	19,150	39,038	38,486
Right-of-use assets	22,987	-	-
Intangible assets	2,685	2,303	2,289
	44,822	41,341	40,775
Current assets			
Inventories	2,960	2,372	2,882
Trade and other receivables	21,931	19,946	20,558
Corporation tax receivable	-	-	118
Cash and cash equivalents	3,949	9,384	7,997

	28,840	31,702	31,555
Total assets	73,662	73,043	72,330
Current liabilities			
Trade and other payables	15,922	14,830	16,506
Loans and borrowings	5,231	5,071	4,695
Provisions	236	253	236
Corporation tax payable	6	438	-
	21,395	20,592	21,437
Non-current liabilities			
Loans and borrowings	9,121	9,945	7,534
Deferred tax	1,061	1,016	1,298
	10,182	10,961	8,832
Total liabilities	31,577	31,553	30,269
Net assets	42,085	41,490	42,061
Equity			
Share capital	1,600	1,600	1,600
Share premium	8,633	8,633	8,633
Retained earnings	31,834	31,239	31,810
Non-controlling interest	18	18	18
Total equity	42,085	41,490	42,061

The unaudited interim consolidated statement was approved by the Board of Directors on 21 January 2020.

Consolidated statement of cash flows

For the 6 months ended 31 October 2019

	Note	**6 months to 31 Oct 2019 (unaudited) £'000**	**6 months to 31 Oct 2018 (unaudited) £'000**	**12 months to 30 Apr 2019 (audited) £'000**
Cash flows from operating activities				
Cash generated from operations	6	1,403	4,786	9,463
Interest received		12	25	52
Interest paid		(322)	(297)	(579)
Income tax paid		(287)	(740)	(1,366)
Net cash generated from operating activities		806	3,774	7,570
Cash flows from investing activities				
Purchases of property, plant and equipment		(1,376)	(735)	(2,390)
Disposal of property, plant and equipment		354	323	393
Purchases of intangibles		(422)	-	(10)
Net cash absorbed in investing activities		(1,444)	(412)	(2,007)
Cash flows from financing activities				
Repayment of bank borrowings		(75)	(75)	(150)
Repayments of Invest to Grow loan		(15)	(47)	(95)
Payments to lease creditors		(2,520)	(2,896)	(5,561)
Dividends paid		(800)	(1,840)	(2,640)
Net cash absorbed in financing activities		(3,410)	(4,858)	(8,446)
Net decrease in cash and cash equivalents		(4,048)	(1,496)	(2,883)
Cash and cash equivalents at beginning of period		7,997	10,880	10,880
Cash and cash equivalents at end of period	7	3,949	9,384	7,997

Consolidated statement of changes in equity

For the 6 months ended 31 October 2019

	Share capital £'000	Share premium £'000	Non-controlling interest £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 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**
Total comprehensive income	-	-	-	1,328	1,328
Share-based payment expense	-	-	-	43	43
Dividend payment	-	-	-	(800)	(800)
	-	-	-	571	571
Balance at 30 April 2019 (audited)	**1,600**	**8,633**	**18**	**31,810**	**42,061**
Total comprehensive income	-	-	-	744	744
Share-based payment expense	-	-	-	80	80
Dividend payment (note 1)	-	-	-	(800)	(800)
	-	-	-		
Balance at 31 October 2019 (unaudited)	**1,600**	**8,633**	**18**	**31,834**	**42,085**

Notes to the interim results

For the 6 months ended 31 October 2019

1. Basis of preparation

The unaudited interim consolidated statement of Van Elle Holdings plc is for the six months ended 31 October 2019 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 2020.

The comparative figures for the year ended 30 April 2019 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.

Dividends

The Board has become aware of an irregularity concerning technical compliance with the Companies Act 2006 in respect of the final dividend approved by shareholders at the Company's annual general meeting on 12 September 2019 (the **"Dividend"**).

Note 12 (Dividends) to the Consolidated Financial Statements of the Group for the year ended 30 April 2019 (the **"2018/19 Accounts"**), in referring to the Dividend, stated that:

"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."

Regrettably, as a result of an administrative oversight, the subsidiary company dividend referred to in Note 12 to the 2018/19 Accounts was not made and as a consequence the requisite level of distributable reserves were not available within the Company prior to the payment of the Dividend. In addition, interim accounts should have been filed by the Company in respect of the payment of the Dividend. Consequently, the Dividend is technically unlawful.

The Group's historic reported trading results and financial condition and ability to pay future dividends are entirely unaffected, however to address the unlawful nature of the Dividend the Board intends to call a general meeting of the Company in due course at which various resolutions to address these issues will be proposed.

The directors have no reason to believe that the resolutions to be proposed at the general meeting will not be passed and therefore have accounted for the Dividend as a distribution in these financial statements.

Accounting policies

Except as described below, the accounting policies adopted in the preparation of the unaudited Group interim consolidated statement to 31 October 2019 are consistent with the policies applied by the Group in its consolidated financial statements as at, and for the year ended 30 April 2019.

This is the first set of the Group's financial statements where IFRS 16 Leases has been applied. The impact on this interim consolidated statement and the change to the Group's significant accounting policies are described in further detail below.

IFRS 16 Leases Overview

The Group has initially adopted IFRS 16 Leases from 1 May 2019. IFRS 16 Leases replaces IAS 17 Leases and provides a single lease accounting model, requiring the lessees to recognise right of use assets and lease liabilities in the balance sheet for all applicable leases. The Group has applied the modified retrospective adoption method in IFRS 16, and, therefore only recognised leases on balance sheet as at 1 May 2019. It has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This meant there was no immediate impact to net assets on that date. In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics.
- Initial direct costs have not been included in the measurement of the right-of-use asset as at the date of initial application.
- For the purposes of measuring the right-of-use asset hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as the term of leases) based on circumstances on or after the lease commencement date

At 30 April 2019 operating lease commitments amounted to £9,313,000. The effect of discounting those commitments has resulted in lease liabilities of approximately £3,961,000 being recognised on 1 May 2019 with a corresponding right-of-use assets of £3,659,000, the figures being different due to the offset of £302,000 lease incentive accrual against the asset.

Instead of recognising an operating expense for its operating lease payments, the Group has instead recognised interest on its lease liabilities and amortisation on its right-of-use assets.

In the 6 months to 31 October 2019 this has decreased operating lease payments by £76,000, increased depreciation by £66,000 and finance charges by £72,000.

Changes in Accounting policy

The details of the new significant accounting policy and the nature of the change to previous accounting policy in relation to the Group's adoption of IFRS 16 Leases are set out below.

Amended accounting policy	**Previous accounting policy**	**Nature of change in accounting policy**
The Group assesses whether a contract is or contains a lease at inception of the contract. policy in relation to the Group's adoption of IFRS 16 Leases are set out below. A contract is or contains a lease if the contract includes the right to control the use of an identified asset for a period of time in exchange for consideration. Factors that are considered when making this assessment include: the Group's right to obtain substantially all the economic benefits from use of the asset; the Group's right to direct the use of the asset; and the supplier's right to substitute the asset		The Group previously determined whether a contract was or contained a lease under IFRIC 4. In practice, all contracts that are classified as a lease under IFRS 16 were also previously classified as a lease under IFRIC 4 and vice versa.
The Group allocates the consideration in the contract to each lease component on the basis of relative stand-alone selling prices. For each lease component, the Group recognises a right of use asset and a lease liability at the lease commencement date.	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	Under IAS 17, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards of ownership to the Group. Under IFRS 16, the majority of the Group's leases are recognised on the balance sheet as right of use assets and lease liabilities, including those arrangements previously classified as either finance leases or operating leases under IAS 17.

	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.	
Lease liabilities are presented as "obligations under leases" in the balance sheet. The lease liability is initially measured at the present value of future lease payments, discounted at the interest rate implicit in the lease. Where the implicit interest rate cannot be determined, the Group discounts the future lease payments using its incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.	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.	Lease liabilities were only recognised under IAS 17 in respect of arrangements classified as finance leases. This distinction no longer exists under IFRS 16. Where an arrangement was treated as a finance lease under IAS 17, a liability was initially recognised equal to the value of the asset capitalised within property, plant and equipment (see below). The liability was subsequently measured at amortised cost using the effective interest method. There is no material difference between the amounts recognised as liabilities or as interest expense for such arrangements following the adoption of IFRS 16. Lease payments associated with operating leases were recognised as an expense on a straight-line basis over the lease term, with no amounts being recognised on the balance sheet. Under IFRS 16 lease liabilities are also recognised for leases previously classified as operating leases. The lease liability is recognised at the present value of the future lease payments.
Right of use assets are presented in "property, plant and equipment" on the balance sheet. The right of use asset is initially measured at cost, representing the initial amount of the lease liability adjusted for any up-front lease payments, direct costs incurred or lease incentives received. The right of use asset is subsequently depreciated on a straight-line basis to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment.		Assets were only recognised under IAS 17 in respect of arrangements classified as finance leases. Where an arrangement was previously treated as a finance lease under IAS 17, an asset was recognised within property, plant and equipment at the fair value of the asset or, if lower, the present value of the minimum lease payments. The asset was subsequently depreciated on the same basis as other similar assets purchased by the Group without recourse to financing arrangements. Such assets are now presented as right of use assets within property, plant and equipment. There is no material difference between the amounts recognised as assets or as depreciation expense for such arrangements following the adoption of IFRS 16. In addition, under IFRS 16 a right of use asset is now recognised within property, plant and equipment for assets under leases that were previously classified as operating leases under IAS 17, for which were lease payments were recognised as an expense on a straight-line basis over the lease term, with no amounts being recognised on the balance sheet.
No right of use asset or lease liability		The treatment of short-term leases and

is recognised in respect of leases with terms of 12 months or less or in relation to low value assets. Lease payments associated with such leases are recognised as an expense on a straight-line basis over the lease term.		leases for low-value assets is unchanged on adoption of IFRS 16 as all such leases were previously classified as operating leases under IAS 17.

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.

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. Specialist Piling includes the specialist and rail business units and Ground Engineering Services comprises housing and geotechnical (Strata) business units. Note that General Piling tends to undertake the larger residential projects. 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 2019

	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Head Office £'000	Total £'000
Revenue	17,661	13,950	16,855	58	48,524
Operating profit					
Underlying operating profit	227	394	804	30	1,455
Share-based payments				(80)	(80)
Exceptional item	(8)	(93)		(45)	(146)
Operating profit	219	301	804	(95)	1,229
Finance expense				(322)	(322)
Finance income				12	12
Profit before tax	219	301	804	(405)	919
Assets					
Property, plant & equipment	2,710	4,157	4,785	7,498	19,150
Right-of-use assets	7,036	7,720	3,080	5,151	22,987
Inventories	1,058	720	1,165	17	2,960
Reportable segment assets	10,804	12,597	9,030	12,666	45,097
Intangible assets				2,685	2,685
Trade and other receivables				21,931	21,931
Cash and cash equivalents				3,949	3,949
Total assets	10,804	12,597	9,030	41,231	73,662
Liabilities					
Loans and borrowings				14,352	14,352
Trade and other payables				15,928	15,928
Provisions				236	236
Deferred tax				1,061	1,061
Total liabilities				31,577	31,577
Other information					
Capital expenditure	25	404	1,885	3,795	6,109
Depreciation / amortisation	575	779	385	511	2,250

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 2018

	General	Specialist	Ground Engineering	Head	Total

	Piling £'000	Piling £'000	Services £'000	Office £'000	£'000
Revenue	18,537	14,461	9,923		42,921
Operating profit					
Underlying operating profit	465	1,926	647	-	3,038
Share-based payments	-	-	-	(80)	(80)
Exceptional item	-	-	-	(331)	(331)
Operating profit	465	1,926	647	(411)	2,627
Finance expense	-	-	-	(297)	(297)
Finance income	-	-	-	25	25
Profit before tax	465	1,926	647	(683)	2,355
Assets					
Property, plant & equipment	13,077	12,458	4,287	9,216	39,038
Inventories	1,220	415	712	25	2,372
Reportable segment assets	14,297	12,873	4,999	9,241	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	14,297	12,873	4,999	40,874	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	1,113	367	147	359	1,986
Depreciation / amortisation	699	794	233	429	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 - 12 months to 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

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

2. Revenue from contracts with customers

Disaggregation of revenue - 6 months to 31 October 2019

End market	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Total £'000
Residential	8,569	1,447	14,903	24,919
Infrastructure	953	10,361	1,249	12,563
Regional Construction	8,139	2,107	691	10,937
Other	-	35	70	105
Total	17,661	13,950	16,913	48,524

Disaggregation of revenue - 6 months to 31 October 2018

End market	General Piling £'000	Specialist Piling £'000	Ground Engineering Services £'000	Total £'000
Residential	10,952	1,989	8,844	21,785
Infrastructure	1,969	9,485	651	12,105
Regional Construction	5,373	2,753	320	8,446
Public	161	234	108	503
Other	82			82
Total	18,537	14,461	9,923	42,921

Disaggregation of revenue - 12 months to 30 April 2019

General Specialist Ground Engineering

End market	Piling £'000	Piling £'000	Services £'000	Total £'000
Residential	16,076	2,687	20,044	38,807
Infrastructure	5,549	20,576	1,545	27,670
Regional Construction	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

4. Exceptional costs

	6 months to 31 Oct 2019 (unaudited) £'000	6 months to 31 Oct 2018 (unaudited) £'000	12 months to 30 Apr 2019 (audited) £'000
Exceptional costs	**146**	**331**	559

Exceptional costs for the six months to 31 October 2019 relate to restructuring and redundancy costs related to restructuring of the Group.

Prior year exceptional costs related to restructuring and redundancy costs.

5. Earnings per share

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

	6 months to 31 Oct 2019 (unaudited) '000	6 months to 31 Oct 2018 (unaudited) '000	12 months to 30 Apr 2019 (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	744	1,884	3,212
Add back / (deduct):			
Share-based payments	80	80	123
Exceptional costs	146	331	559
Tax effect of the above	(28)	(63)	(106)
Underlying profit for the year	942	2,232	3,788
	Pence	Pence	Pence
Earnings per share			
Basic	0.9	2.4	4.0
Diluted	0.9	2.4	4.0
Basic - excluding exceptional costs and share-based payments	1.2	2.8	4.7
Diluted - excluding exceptional costs and share-based payments	1.2	2.8	4.7

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 2018: 80,000,000 and 12 months ended 30 Apr 2019: 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.

6. Cash generated from operations

	6 months to 31 Oct 2019 (unaudited) £'000	6 months to 31 Oct 2018 (unaudited) £'000	12 months to 30 Apr 2019 (audited) £'000
Operating profit	1,229	2,627	4,562
Adjustments for:			
Depreciation of property, plant and equipment	2,224	2,131	4,291
Amortisation of intangible assets	26	24	45
Profit on disposal of property, plant and equipment	(120)	(8)	(26)
Share-based payment expense	80	80	123
Operating cash flows before movement in working capital	3,439	4,854	8,995
Decrease/(Increase) in inventories	(78)	193	(317)
Decrease/(Increase) in trade and other receivables	(1,372)	2,279	1,666
(Decrease)/Increase in trade and other payables	(586)	(2,523)	(847)
Decrease in provisions	-	(17)	(34)
Cash generated from operations	1,403	4,786	9,463

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

	31 Oct 2019 (unaudited) £'000	31 Oct 2018 (unaudited) £'000	30 Apr 2019 (audited) £'000
Cash at bank	3,901	9,340	7,953
Cash in hand	48	44	44
Cash and cash equivalents	3,949	9,384	7,997
Bank loans secured	(900)	(1,050)	(975)
Other loans secured	-	(62)	(15)
Plant and equipment leases	(9,491)	(13,902)	(11,239)
Property leases	(3,961)		
Total lease liability	(13,452)	(13,902)	(11,239)
Net debt	(10,403)	(5,630)	(4,232)

Property leases at 31 October 2019 are right-of-use assets capitalised under IFRS16.

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 2019 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 2019 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

21 January 2020

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